

Russian Regional Report
(Vol. 8, No. 1, 16 January 2003)

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/tracce>)

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THE POWER MINISTRIES

The following article is an extract from a forthcoming book entitled "Putin's Federal Reforms: Success or Failure?" edited by Peter Reddaway and Robert Ortung and scheduled for publication by November 2003 from Rowman & Littlefield. The focus of the book is the seven federal districts Putin established in May 2000.

POLICE, FSB REFORMS IN THE CENTRAL FEDERAL DISTRICT

By Nikolai Petrov, Center for Political-Geographic Research, Moscow

Judging by the career backgrounds of his top assistants, working with Russia's power ministries is Presidential Envoy Georgii Poltavchenko's main priority. Unfortunately for outside observers, however, most of this work goes on behind closed doors and it is possible to judge the measures taken only through small bits and pieces of evidence. It is well known, for example, that the okrug has a Collegium on Cooperation with Law Enforcement Agencies and Power Ministries. Its members include Chairman of the Council of FSB regional branches in the Central Federal Okrug V. Zakharov (who was appointed head of the Moscow city and oblast FSB after the beginning of Putin's federal reforms), okrug MVD head Sergei Shchadrin, okrug Deputy General Procurator N. Makarov, and Justice Ministry okrug branch head I. Ivanov. The media has mentioned the council only a few times, but otherwise there is little publicly-available information about its work. In the summer of 2002, the okrug organized an anti-terrorism

commission, which, in addition to representatives of these federal agencies, includes deputy governors representing the regions.

In order to better understand the work of the two key power agencies in the central federal district, the MVD and FSB, we examined the Rossiiskaya vlast' web site (vlast.rambler.ru) as it stood at the end of August 2002 and the ITAR-TASS publication *Tsentr Rossii 2002: Deistvyushchie litsa*. Unfortunately, even though these two sources provide relatively comprehensive personnel lists, they did not contain entries for all of the offices. Nevertheless, the overall picture is relatively clear.

Ministry of Internal Affairs (MVD). The first and most striking feature of the MVD's work was the lack of personnel turnover. Less than one third of the police chiefs in the Central Federal District were appointed during the Putin era and after the most recent gubernatorial elections. The rest had been appointed under Yeltsin, or in the case of Ivanovo, under Gorbachev. Of the five appointed during the Putin era, only two (the most visible since they serve in Moscow and Moscow Oblast) were appointed when Boris Gryzlov was the interior minister and after the amendments to the federal law on the police strengthening the federal government's control were implemented. Former Interior Minister Vladimir Rushailo appointed the other three police chiefs named during the Putin era, including the new chief in Tambov, where Putin appointed the former regional MVD chief as the chief federal inspector in the region. In other words, even though Putin made a considerable effort to take the power to appoint and fire regional police chiefs from the governors by amending federal legislation, he has not used this power to put new police chiefs in place.

The case of the Moscow city police force may be illustrative of this problem. The federal leadership removed Moscow Police Chief Nikolai Kulikov in the fall of 1999, on the eve of the city's mayoral elections and the State Duma elections. The federal and city government fought more than two years over who should occupy this post. Ultimately, the two sides had to settle on a compromise figure in Lt. Gen. Vladimir Pronin, the former police chief of one of the capital's districts. The objections of a powerful governor (in this case the mayor of Moscow who has gubernatorial status in Russia) blocked the federal leadership from doing what it wanted to do. Beyond the political scandal, Pronin's appointment was unusual because in the past, the Moscow police chief had come from the ministry.

Second, police appointments are distinctly tied to the federal and regional political calendar. Most of the appointments were made in 1996-1997, after the presidential elections and on the eve or just after the first round of gubernatorial elections. This period was a time when the center was maximally powerful and the governors, in contrast, were weak. Approximately half of the police chiefs serving in August 2002 were appointed at this time. Between then and the next presidential elections, a period when the governors grew stronger and were able to protect their allies, no police appointments took place at all.

Third, the "Putin" group of police chiefs differs fundamentally from those appointed during the Yeltsin era. While the regional police chiefs appointed from 1990 to 1997 spent their whole professional life in their native regions, the more recent appointees came from leadership posts from other regions. In Moscow Oblast, the new police chief had previously served as the police chief in Vologda. Additionally, the

person appointed to the newly created position of okrug police chief was an outsider, Sergei Shchadrin, who worked the previous two years as the Rostov police chief (he spent most of his 25-year career in his native Ivanovo Oblast, briefly working in Moscow and Pskov, where the governor opposed him). In this sense, it is possible to talk of a transition from the Brezhnev "stagnation era" model of personnel policies, where there was little movement between regions, to a pre-stagnation rotation model, under which personnel rose up the career ladder by moving from region to region.

Finally, many of the regional police chiefs serving in the summer of 2002 were reaching the age of 55, not long before established as the threshold for mandatory retirement. The average regional police chief was 52.5 years old and had served 5 years in his post. In some cases, the minister can prolong a police chief's career by a special decision. Through the imposition of this new rule, the personnel system has received an external mechanism for weeding out current police chiefs.

Curiously, a fourth of the regional police chiefs in the Central Federal Okrug passed the 55 year-old limit (Kursk, Belgorod, Bryansk, and Tver) by the middle of 2002 and another three reached it at the end of the year or the beginning of 2003. If all of these men are forced to retire, up to half of the police chief positions could be vacant. Thus, the current police chiefs are more likely to be loyal to the minister on whom their job depends than on the governor regardless of whether they are serving in their native region or have come from elsewhere.

This analysis shows that Moscow does not have a sufficient reserve of qualified police chiefs it can rely on to replace existing chiefs. Thus, only a modest number of police chiefs have been replaced. Nevertheless, there could be extensive rotations if Moscow decides to force out all of the chiefs who have reached 55. The only question now is whether Moscow will choose to use this opportunity to significantly replace incumbent regional police chiefs with younger officers or seek to increase the loyalty to the center among incumbent regional police chiefs by allowing them to serve past the 55 year age limit and appointing other generals who are quickly approaching that critical line. In either case, on the eve of the 2003-2004 parliamentary and presidential electoral cycle, the center has a powerful lever it can use against the governors. In the past, though, Putin's Kremlin has been unwilling or unable to use the tools available to it.

Federal Security Service (FSB). The FSB is a completely different type of institution from the MVD and never came under the same kind of gubernatorial influence that the other power ministries did. Logically then, with the strengthening of the central government, one would not expect to see many personnel changes within FSB ranks. However, in fact, there are intense personnel changes taking place and half of the regional FSB leaders have been replaced since Putin came to power, although for different reasons than those that led to changes in the MVD. Instead of replacing "bad" leaders, the heads of the regional FSB branches are experiencing career growth as a result of the appointment or election of FSB officials to a wide variety of other jobs, from presidential envoy, to chief federal inspector, to governor.

Several trends are visible within the FSB beyond the numerous leadership changes. First, the personnel turnover seems more evenly spaced and less politically motivated than with the MVD, especially in the transfer of FSB chiefs to the post of chief federal inspector. Such transitions happened in Belgorod and Ryazan (in Tambov, the

former MVD chief was appointed as the chief federal inspector). Nevertheless, there are some connections between FSB appointments and the political calendar, with the election of the heads of the Voronezh and Smolensk FSB chiefs as governors and the removal of the Moscow and Lipetsk FSB chiefs immediately after the gubernatorial elections in those regions.

The second major characteristic is the active movement of FSB officers horizontally, following the kind of pre-Brezhnev era career path introduced by Stalin. Only a quarter of the FSB chiefs are local and have made their career in the region where they are serving. The others are outsiders, evenly split between those who have served in one region that is not their native land or moving from region to region. Interestingly, in personnel policies reminiscent of the Communist Party of the Soviet Union, many have served in the Moscow-based staff before being appointed regional FSB leaders.

The average oblast FSB leader is 52 years old and has been in his job four years, meaning that the current generation of FSB regional leaders are part of the Putin generation. The age range is very small, spanning between 47 and 55. Two reached the 55-year marker in 2002 and one will in 2003.

Another important distinction between the FSB and MVD pyramids is that the FSB does not have an intervening link between the center and the regions in the form of an okrug level of representation. From the perspective of the summer of 2002, it is hard to determine the exact implications of this difference.

In the case of the MVD, Shchadrin was appointed okrug police chief in August 2001 and by November, 85-90 percent of his okrug staff was in place. Shchadrin has said that the staff was likely to grow rather than shrink. Overall, the okrug MVD deals with organized crime, economic crimes, and the narcotics trade, and has special divisions for coordinating and analyzing the okrug crime situation and overseeing the okrug's battle against organized crime. The okrug MVD works closely with the presidential envoy, but is not directly subordinate to him. According to Shchadrin, the okrug MVD "feeds the envoy information." In the case of the FSB, either the presidential envoy's staff, with its strong FSB representation, plays this role by serving as a channel of information, or Putin and his team are themselves monitoring both the federal and regional levels of the FSB vertical.

Surveying the various law enforcement agencies in the summer of 2002, Poltavchenko cited the general procuracy as the most effective, especially in its efforts to bring regional laws into line with federal legislation and dealing with criminal cases that involve more than one region. He described the other agencies as "on the right path." He said that he had no serious criticism of the okrug MVD and especially noted its efforts in dealing with interregional crime.

RUSSIAN FAR EAST

POLITICAL STRUGGLE SPURS MORE CONTRACT KILLINGS. The main engine driving political and economic events in Primorskii Krai during 2002 was the intense confrontation between Governor Sergei Darkin and former Governor Yevgenii Nazdratenko. The change in administrations has led to a redistribution of property and wealth in the krai, a process generally hidden from the public except that it has sharply increased the number of contract killings.

Darkin came to power with Nazdratenko's help in 2001. After President Putin forced Nazdratenko's resignation, the former governor did not want to lose his ties with the region where he has extensive and varied business interests, held in the name of his sons. Using his finances and the organizational support of rural and urban mayors who gained their jobs during his tenure, Nazdratenko secured Darkin's election. Ultimately, however, the presidential administration managed to take the krai under its control, forcing Darkin to break ties with his patron.

During the course of the gubernatorial elections, the authorities removed State Duma member Viktor Cherepkov from the race, formally charging that he did not pay for an appearance on the Ekho Moskvyy radio station. Darkin also appeared on the station for free, but did not face any legal consequences from this move. However, after the election, the presidential administration made it clear to Darkin that if he did not break his ties with Nazdratenko, a Moscow court would declare the elections invalid and he would lose his job. Darkin loyally went on the attack against Nazdratenko, working in particular to deprive his opponent of his financial base.

From the beginning of 2002, Darkin put enormous pressure on Nazdratenko's firms. Darkin even turned the tax inspectors and tax police on the Vostok mining company that Nazdratenko had run before becoming governor. The battle even reached beyond the borders of the krai in the gun-fight over the Tulun ship (see Russian Regional Report, 12 December 2002).

The redistribution of property led to a sharp increase in the number of contract killings in the krai. According to the Vladivostok Center for the Study of Organized Crime (an affiliate of TraCCC), from the middle of 2001 (when the redistribution of property began) through the end of 2002, there were more than 30 contract killings, amounting to almost two a month and significantly more than in previous years (<http://www.crime.vl.ru/>). Numerous well know krai business people met their demise, including Tikhookeanskii Spa owner Mikhail Berdak, media magnate Oleg Sedinko, and Leonid Bochkov, the owner of more than 15 enterprises. In May 2001, the general director of Mikma was assassinated and in March 2002, the person who succeeded him was cut down as well. Recently an assistant to Federation Council member Oleg Kozhemyako was also murdered. Kozhemyako is famous for his fish business and close ties to Nazdratenko. On 23 December assassins narrowly missed fish magnate Vladimir Nikolaev, who is also a member of the Legislative Assembly. Numerous lesser-known businessmen were also killed across the krai.

Nazdratenko tried unsuccessfully to use the legislature to remove Darkin. During the summer regional legislative elections, he sought to win the election of two thirds of the body, since that majority can vote no confidence in the governor and secure his removal. Nazdratenko needed 26 seats, but even working with his former enemy Cherepkov, he only secured 22. Nevertheless, Nazdratenko's representatives were able to elect Kozhemyako to the Federation Council. Undoubtedly, the battle between Darkin and Nazdratenko will continue in 2003. - Oleg Zhunusov in Vladivostok

CENTER-PERIPHERY RELATIONS

BASHKORTOSTAN ADOPTS NEW CONSTITUTION UNDER FEDERAL PRESSURE. Bashkortostan President Murtaza Rakhimov signed the republic's new

constitution on 3 December, bringing to a conclusion a nearly three-year battle with the federal government. Finally the republic has a basic law that meets all federal concerns. This constitution is Bashkortostan's second in as many years and fourth during its history as a Russian region. The general procurator filed a case against the last one, charging that it violated federal norms.

The new constitution contains numerous concessions to the federal government. In particular, this text dropped all mentions of Bashkortostan's sovereignty, which had so upset the federal authorities. The concept of sovereignty has been replaced by the word "statehood" (*gosudarstvennost*), which the republic's constitution drafters claim is a synonym for sovereignty. This edition of the constitution also dropped the text of the power-sharing treaty between the republic and the federal government, several sections of which violated the federal constitution. The republican authorities succeeded in asserting that the parts of the agreement that did not violate the Russian constitution remained in force. The fate of the treaty itself remains a question mark as the two sides have not come to agreement on how to amend it or the mechanism for correcting it. The Bashkortostani authorities want to conclude a new treaty, while members of the Kozak commission want to adopt a federal law dealing with the same questions. The constitution's preamble drops reference to the 25 April 1993 referendum, on the basis of which Bashkortostan claimed to build its relations with Russia through a bilateral treaty. Additionally, the republican authorities have dropped claims to establishing their own citizenship and the exclusive right to distribute the republic's natural resources. The republican officials also renounced their right to appoint mayors and henceforth the population will elect them directly. Overall, the new text makes considerable progress in removing discrepancies between republican and federal legislation -- the kind of progress that previously had seemed unthinkable.

The republican elite's willingness to drop ideological formulations and deal seriously with the legal details of the constitution resulted from the work of Deputy General Procurator in the Volga Federal District Aleksandr Zvyagintsev. He challenged several parts of the previous constitution and, despite the protests of the republican leadership, took the matter to the Republican Supreme Court, which ruled in his favor. The threat of further action by the procurator and court worked to bring the republican leaders in line. Rakhimov had several times asked Putin to stop the procurator from attacking him, clearly suggesting that the procurator was being effective in his efforts. The procurator, presidential administration, and the Kozak Commission made several suggestions and recommendations for the new draft of the republican constitution, which the authors were forced to take into account.

But Rakhimov also secured political protection from Putin, thereby preserving some features of the old system in which the Russian president resolved matters individually with important republican presidents. Rakhimov met with Putin personally and gained assurances that the new draft met federal requirements. The meeting gave Rakhimov confidence that no further changes in the text would be necessary. Since Rakhimov's term runs out in mid-2003, he wanted to use this meeting to show that Putin supports his election to another term as a guarantor of stability in the republic. He also sought to demonstrate that, despite the adoption of a new constitution, the republic preserved its special status and was worthy of the president's personal attention. After the

Putin-Rakhimov meeting, the republican parliament, which had been dragging its feet, quickly passed the text almost without debate.

With the adoption of the new constitution, Rakhimov gave up his previous talk about the need to create a parliamentary republic. Such an arrangement would have allowed him to stay in power even if a third presidential term were not possible.

Rakhimov may be able to win the center's support in the upcoming campaign through his old friend Sergei Pugachev, the former head of Mezhprombank and now an influential senator. Since the early 1990's the bank has operated in Bashkortostan and apparently has close ties to the republican authorities. Pugachev may also have some interests in the republic's fuel industry.

Currently there are no real opponents to Rakhimov within the republic, though outsiders may pose a problem. The most likely candidates include former LUKoil Vice President Ralif Safin, now a Federation Council member from the Altai Republic. Rakhimov clearly wants the center's support in the election and hopes to prevent it from backing any of the other potential candidates. Such federal non-intervention might be Moscow's "payment" for the republican authorities' willingness to adopt a constitution in line with federal norms. - Igor Rabinovich in Ufa

ST. PETERSBURG ELECTIONS

CONSTITUENT SERVICES STRENGTHEN INCUMBENTS. The main result of the St. Petersburg Legislative Assembly elections on 8 December was the collective victory of the incumbents. Of the 48 previous members in the Assembly, 38 (79 percent) won another term. Turnout in the elections was about 30 percent, with senior citizens comprising most of the voters. Women made up 64 percent of the electorate, while men comprised only 36 percent.

The decisive factor for the deputies was how much concrete aid they provided to their constituents. Since 1995, each year the deputies set aside about 2 percent of the city budget to create individual discretionary funds, which each member of the legislature can use as he or she sees fit. The governor and various courts have tried to end this practice, charging that it violates the separation of the executive and legislative branches and makes it impossible to exert oversight on how public money is spent, but the practice continues nevertheless (see Russian Regional Report, 18 April 2001).

Deputies who focused their attention on constituent services generally had no problem. However, those who let this work lapse in favor of legislative activities or spent their money outside the borders of their district fell at the hands of unhappy voters. Since the city authorities have not allowed for the establishment of neighborhood government, the members of the regional legislature generally play this role. Voters largely rated their deputies based on general conditions in their district, including the installation of metal doors in stairwells and benches in courtyards.

Even Yurii Shutov, who spent most of his legislative term in jail facing charges of banditry, managed to defeat all of his opponents and win another term. Voters apparently were more interested in what Shutov was doing for them than the limits on his mobility. Shutov's assistants were extremely effective in delivering aid to his neediest supporters. His staff also conducted an extensive campaign informing voters of what services he had provided. The district, which is located next to the prison where Shutov is incarcerated, is

relatively poor so the deputy's attentions proved to be enough to secure a victory for him. (Shutov's website is www.shutov.ru).

The central question of St. Petersburg politics now is whether Governor Vladimir Yakovlev will be able to seek a third term in 2004. The current text of the city charter denies him this right. He needs 34 of the 50 votes in the Legislative Assembly to amend the charter. Yakovlev did not have enough support in the last legislature to make the necessary changes. The results of this election do not make it clear whether Yakovlev will succeed or fail. Most likely the result will depend on his ability to influence individual members of the body.

Yakovlev is not the only one interested in his ability to seek another term. Other officials who may affect the decision are Federation Council Speaker Sergei Mironov (who represents the St. Petersburg legislature in the upper chamber of the national parliament), Presidential Envoy in the North-West Federal Okrug Viktor Cherkesov, and even President Putin, who unsuccessfully tried to replace Yakovlev in the 2000 campaign. All of these players could exert a powerful influence on the deputies. Thus, it is far from clear what Yakovlev's prospects are for a third term. - Vadim Goncharov in St. Petersburg

TRANSPARENT BUDGETS

SEMINAR EXAMINES KEY ISSUES IN PROMOTING OVERSIGHT. Russian citizens often ask why politicians spend so much money in their campaigns to win public office. In particular, they wonder what material stimuli drive them to spend gigantic sums and engage in propaganda campaigns against each other. The Center for Social-Economic Expertise and the *Nizhegorodskie novosti* newspaper recently organized a conference to address these questions, with the support of the Open Society Institute.

The answer, of course, is that winning an election gives the candidate access to public finances. Dividing up the "budget pie" is an easy way for political groups to increase their resource base. The ability to redistribute social funds through the budget is crucial to the functioning of the political elite.

Unfortunately, the budgeting process remains far from transparent. For example, Nizhnii Novgorod Governor Gennadii Khodyrev said that in adopting the oblast's 2003 budget "several deputies sought support only for their district or the economic sector in which they work, whether fuel, alcoholic beverages, or energy. These people tried to lobby their interests." But how did this lobbying work? During the process to work out the budget, Nizhnii papers wrote that "some parliamentarians mixed up their pockets," suggesting strongly that state money went to private purposes.

Along the same lines, the governor pointed out that the oblast's "mayors, including the mayor of Nizhnii Novgorod, should work out the situation with enterprise-debtors and find out where the money is going. It does not make sense to wait until the law enforcement agencies do this." Thus, for the first time the highest public official in the region admitted the existence of corruption in handling energy debts. But what will be the consequence of his statement?

There is no more transparency in relations between Nizhnii and Moscow. According to Oblast Legislative Assembly Deputy A. Tsapin, the federal government wants the regions to make money themselves rather than simply seeking support in

Moscow. The result is that the regional authorities are increasing their pressure on business. According to the head of the Nizhnii Novgorod branch of the Anti-Monopoly Ministry G. Gudkov, "often mayors push regulatory agencies to illegal actions in pursuit of political goals."

At the same time, the region must solicit money from Moscow. There are many questions about how this is done. For example, the governor noted that in November 2002, at the president's request, the Russian government gave Nizhnii Novgorod Oblast an interest free loan for 500 million rubles. However, according to the program to develop budgetary federalism, only five funds give financial aid to the Russian regions and the conditions under which these funds work are relatively strict. It is not clear which fund the president's "request" came out of.

If non-governmental organizations are going to play a constructive role in the budget process, they must have a minimal amount of knowledge in the fields of economics, finance, law, and management. Consequently, NGOs and the media seeking to play a role in the budget process should be prepared to invest organizational, intellectual, and human resources in educating and training their personnel. This is the price that taxpayers must pay if they want to monitor how their money is being spent. - Andrei Makarychev in Nizhnii Novgorod

BUSINESS AND POLITICS

ROSTOV LEADERSHIP CONSOLIDATES RELATIONS WITH BUSINESS

ELITE. On 5 December Rostov Governor Vladimir Chub held the founding conference for a new organization designed to consolidate local business groups around him. The new organization will be called the Rostov International Association of Investors (RMAI). The officially announced goal is to increase Rostov's investment attractiveness.

Rostov media gave extensive coverage to the event. The governor brought all significant business people and bankers who are loyal to him to the meeting. Among them were: Donskoi Tabak head Ivan Savvidi (this tobacco company is one of the most important contributors to the oblast budget), Gloria Jeans' Vladimir Melnikova, AAA's Vitalii Solovov, Atlantis-Pak's Oleg Davydenko, Tsentri-Invest's Vasilii Vysokov (this organization works with the banks active in Rostov), Yugo-Zapanyi Sberbank's Sergei Kugaev, and Vneshtorgbank's Ventimilo Allonso, among others. Governor Chub, First Deputy Governor Ivan Stanislav, and Rostov-na-Donu Mayor Mikhail Chernyshev conducted the meeting.

The organization has goals that go beyond simply increasing Rostov's investment rating. Toward the end of 2002, the Rostov Oblast leadership began to encounter unexpected opposition and the governor felt he needed a new organization to consolidate his supporters. During the course of the 2001 gubernatorial elections, the Rostov business and political elites had been united in support of Chub and his team. The only exceptions were the businessman Valentin Chistyakov, who also ran for governor, and Communist Party leader Leonid Ivanchenko.

Since then much has changed. The Taganrog elite has started openly disregarding the economic and political interests of the oblast authorities, now preferring to pursue their own interests. For example, this city's leaders refused to accept the MAIR financial-industrial group as the rightful owners of the Sulinskii Metallurgical Factory. MAIR,

which has headed the factory since 2000, lifted it out of near bankruptcy, eliminated debts of nearly 12 million rubles, and brought in investments worth \$19 million. As a result of the actions of bureaucrats aimed at pushing MAIR from the factory, the plant lost 1,000 jobs. Additionally, Legislative Assembly Speaker Aleksandr Popov has begun to work with the rebellious Taganrog leadership. The situation is particularly delicate since Popov began working against the oblast administration on the eve of the region's legislative elections, which are set for March 2003.

In Rostov's recent history there have been many similar attempts aimed at consolidating the political and economic elite. During the 2001 gubernatorial campaign, the governor sought to gain greater control over the media and social organizations by setting up a Union of Don Journalists and an Association of Don Social Groups under the oversight of his top aides. The situation with RMAI is analogous, especially since Chub himself is heading it. - Aleksandr Krasnov in Rostov-na-Donu

The views expressed in this publication are those of the authors and do not necessarily reflect the opinions of the American University or the Swiss Federal Institute of Technology (ETH), their staff, or sponsors.

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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

Please send all comments and inquiries to Robert Orttung (rorrtung@att.net), the editor of the Russian Regional Report.

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Russian Regional Report
(Vol. 8, No. 2, 3 February 2003)

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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2002: YEAR IN REVIEW

PUTIN CONTINUES EXTENDING VERTICAL OF POWER

by Danielle Lussier, Harvard University, John F. Kennedy School of Government

The year 2001 concluded with Russian President Vladimir Putin nearing the halfway point of his presidential term, having initiated highly visible structural reforms to centralize power and succeeding in cutting down recalcitrant regional executives. This trend continued in 2002 as Putin sought to secure regional loyalty and maintain authority in the crucial period leading up to the 2003 State Duma and 2004 presidential elections.

Putin's technique remained constant: he pushed consistently for legislation that would reduce the regions' abilities to act unilaterally, while simultaneously asserting indirect pressure on regional elections to ensure favorable outcomes. Meanwhile, local government and small business development was largely ignored in 2002, further inhibiting Russia's democratic development.

Social and economic challenges continued to press for attention in 2002, though policy makers often failed to deal with them. As economic growth slowed, the regions began to feel the beginning of stagnation most deeply because they were receiving less

income due to the increased centralization of tax revenues. The difficult economic environment encourages big business to play a larger political role in the regions, most visible in its growing representation among the regional elite and Federation Council. This climate is also a breeding ground for corruption and organized crime, which, when coupled with a noticeable increase in hate crimes and xenophobia, presents a negative environment for the cultivation of democratic values.

Putin maximizes the "dictatorship of the law"

Putin continued to consolidate vertical power over the regions in 2002, flexing his muscles through the legislature and pressuring bothersome regions administratively. On 4 April the Constitutional Court confirmed that the president has the right to fire governors and the State Duma can disband regional legislatures, upholding a controversial law that Putin had signed two years before. However, the procedure for removing elected individuals from office is complex and involves many steps. In practice, applying this law will only be feasible in instances when the regional authorities explicitly refuse to adhere to the Constitution or Russian Federation laws.

The Kremlin made little progress in its efforts to redistribute power among the various levels of government. At a meeting with his seven presidential envoys at the end of 2001, Putin stated that the representatives' main task in 2002 would be to focus on the distribution of power between the various levels of government, particularly between governors and mayors. The Kremlin hoped to reduce the influence of regional executives over local government, which would in turn further consolidate power in the center. The Kozak Commission, set up in the summer of 2001 to develop a blueprint for these plans, only introduced legislation on the matter at the beginning of 2003. The governors remain powerful within the framework of their own regions since they have control over regional budgets and the power to issue a wide variety of licenses. Increasingly, they are able to establish links with big business, weakening federal control over them.

Putin nudged forward his project of reducing the number of Russian regions from 89 to a more manageable figure by signing a law on voluntary regional consolidation between regions with contiguous borders in December. The regions desiring to merge must send the president a proposal that lays out the socio-economic and other consequences of the union and a detailed plan for how it will be carried out. Once the merger is approved by a popular referendum in the affected areas, the president can propose a federal law ratifying the change. The law must then be approved by two-thirds of the Duma and three-quarters of the Federation Council, and the Constitution must be amended. Komi-Permyak Autonomous Okrug has begun the process of merging with Perm Oblast and Ust-Orda Buryat Autonomous Okrug is trying to merge with Irkutsk Oblast. Krasnoyarsk Krai attempted to become the first region to accomplish a merger in 2002, having organized a referendum to absorb the neighboring Evenk and Taimyr autonomous okrugs. However, the referendum was cancelled following the death of Governor Aleksandr Lebed. The region's new governor, Aleksandr Khloponin, who was the governor of Taimyr prior to winning election in Krasnoyarsk, will pursue the merger initiative.

The year 2002 witnessed further attempts at harmonizing legislation across regions. Many oblast charters and republican constitutions required revisions following

the adoption of the new Law on Elections in May. According to the new law, regional executives will have to be elected in at least two rounds, and beginning in July 2003, elections to regional legislatures will follow the procedure for State Duma elections with half of the deputies being elected from party lists. Combined with a new law on political parties that forbids the establishment of regional parties and requires that all parties function at the national level, this reform will increase the representation of political parties in regional legislatures, subsequently making it easier for Moscow-based officials to control regional legislation and budgets. At present, the Kremlin has little influence over regional legislatures due to the lack of a party structure, often leaving these bodies under the control of regional executives.

Tatarstan and Bashkortostan fought long battles with the federal government regarding several articles of their republican constitutions. Ultimately, Bashkortostan approved a new constitution in December, making primarily lexical changes to satisfy the federal government. Tatarstan refused to drop references to regional sovereignty and republican citizenship in its constitution, angering Moscow. Additionally, Kazan and Moscow continue to disagree over the republic's 1994 power sharing agreement, which the federal government would like to annul.

Tatarstan's frustrations with the federal government grew in 2002 as a result of federal legislation that challenged practices deemed part of Tatarstan's national character. First, amendments were passed to the federal Law on Languages requiring all languages of the Russian Federation to be written using the Cyrillic alphabet. This decision was a direct blow to Tatarstan, whose 1999 law adopting Latin script for the Tatar language went into effect the previous year. Second, about 3,000 Muslim women living in Tatarstan were left without passports (and thus without access to medical care and permission to work) as the republic's passport service refused to accept photographs of women wearing headscarves.

Kremlin maintains a strong hand in regional elections

In addition to asserting central control through legislation, the Kremlin maintained a strong presence in regional elections in 2002. Elections were held on fifty-one different dates throughout the 89 regions. Regional executives were elected in fifteen regions and legislative assemblies in sixteen. The Kremlin succeeded in placing its candidate for governor in office in eleven races (Krasnoyarsk, Buryatiya, Smolensk, Ingushetiya, Penza, Lipetsk, Tyva, North Osetiya, Kabardino-Balkariya, Dagestan, and Sakha), openly opposing the ultimate victor only in Kalmykiya and Gorno Altai. Six of the new executives were elected to their first term in office--Krasnoyarsk's Aleksandr Khloponin, Smolensk's Viktor Maslov, Ingushetiya's Murat Zyazikov, Adegei's Khazrat Sovmen, Sakha's Vyacheslav Shtyrov, and Gorno Altai's Mikhail Lapshin. Penza's Vasilii Bochkarev, Kareliya's Sergei Katanandov, Lipetsk's Oleg Korolev, and North Osetiya's Aleksandr Dzasokhov were all elected to a second term of office.

In July the Constitutional Court upheld amendments to the law on general principles for organizing legislative and executive branches in the regions that made it possible for forty-three governors to seek a third term in office. This decision appeared to reflect Kremlin concessions to secure the loyalty of the regional elite in the upcoming State Duma and presidential elections in 2003-2004. As a result of the ruling, five

authoritarian leaders of ethnic republics secured a third term in 2002: Kabardino-Balkariya's Valerii Kokov, Tyva's Sherig-ool Oorzhak, Buryatiya's Leonid Potapov, Dagestan's Magomedali Magomedov, and Kalmykia's Kirsan Ilyumzhinov.

Controversy abounded in the 2002 elections, several of which demonstrated administrative controls on the media and the last minute disqualification of unwanted contenders. The two most contentious regional elections took place in Ingushetiya and Krasnoyarsk. Ingushetiya's elections were pushed up a year following the December 2001 resignation of republican president Ruslan Aushev, presumably under pressure from Moscow. The registration of the leading candidate Khamzad Gutseriev (supported by Aushev) was invalidated on a minor technicality discovered when a group of armed men who claimed to be part of Southern Federal Okrug Envoy Viktor Kazantsev's staff forced their way into the republican Supreme Court and demanded that all relevant documents be turned over to the Russian Supreme Court. Following Gutseriev's disqualification, Federal Security Service General Murat Zyazikov, a deputy to Kazantsev, was elected in a second round victory. Zyazikov's success was a major victory for the Kremlin, which had tired of Aushev's consistent criticism of the federal military campaign in Chechnya, Ingushetiya's closest neighbor.

The untimely death of Governor Aleksandr Lebed in a helicopter crash in April led to unexpected elections in Krasnoyarsk, a region that is often described as a harbinger for the rest of Russia. This battle marked a head on confrontation between two financial-industrial groups and put a businessman in charge of one of Russia's most important regions. Putin ultimately had to intervene to resolve the struggle after the krai electoral commission refused to certify the 22 September results. The election reflected the growing role of big business in regional politics. Aleksandr Khloponin, the Muscovite financier turned governor, is now considered a possible successor to Putin, assuming that, in contrast to his predecessor Lebed, he can run his Siberian region effectively.

Face-lifted Federation Council

One of the first federal reforms adopted following Putin's election came into full force in January 2002 when the grace period ended for governors and regional legislative speakers holding seats in the Federation Council. Now the regional executive and legislative branches must appoint representatives to the federal legislature's upper chamber. The goal behind the reform was to push the regional elite off the federal stage and transform an upper chamber that served primarily as a lobbying mechanism for regional authorities into a professional body in a bicameral parliament. However, while the new Federation Council seems much more willing to support the president's policies than its predecessor, its members continue to lobby regional interests. Although it meets more frequently, the Federation Council in 2002 showed little substantive commitment to lawmaking. If anything, the new Federation Council has perhaps become even less effective since members are under the constant risk of being recalled by their regional executive or legislative branch sponsors and thus cannot freely engage in the give and take often required of politics. The revised Federation Council has demonstrated strong unanimity in voting, focusing more on coordinating the voting process than participating in legislation development.

Many of the new senators are Moscow officials and businessmen reflecting the regional elite's desire to strengthen its position in the capital. Almost half of the Federation Council's members are permanent residents of Moscow. Russian big business is well positioned, with Mezhprombank, Transaero, Russian Aluminum, Interros, Unified Energy System, Gazprom, Sibneft, Transneft, and Slavneft all represented in the body. Additionally, more than twenty former governors and fifteen former regional speakers are now senators.

Many regional leaders looked to Moscow before appointing their representatives, not wanting to upset the Kremlin and compromise potential lobbying possibilities. After his election to the executive post of Gorno Altai Republic, Mikhail Lapshin, for example, noted that he was waiting for the presidential administration to make recommendations for the republic's representatives to the Federation Council.

Regions lag behind economically

Though Russian GDP grew 4 percent in 2002, the economic situation in most regions remained uninspiring. While some progress has been made in bringing regional laws into accordance with federal legislation, several key questions regarding financial flows and economic levers remain unresolved. While the federal government clearly hopes to increase its control over the resource-rich donor regions, many regions fear that they will lose even greater shares of the taxes collected on their territory. This is particularly true of regions with sizable natural resource deposits in Siberia and parts of the Far East. Part of the problem in redefining the relationship between the center and the regions is the existence of the power-sharing agreements that the federal government signed with many regions in the 1990s. Those regions that have reaped the most economic benefits from these treaties—Moscow, St. Petersburg, Bashkortostan, and Tatarstan—have refused to give up their lucrative arrangements.

The variance between the economic success of the few well-developed regions and the rest of Russia was perhaps best described by Deputy Chairman of the Federation Council Committee for Economic Policy, Entrepreneurship, and Property Vladimir Gusev, who stated that only six regions were currently prepared for membership in the World Trade Organization—Moscow, St. Petersburg, Tatarstan, Bashkortostan, Sverdlovsk, and Perm. Industrial reform and economic progress are slow-paced in many regions. Plagued with high taxes, bureaucracy and unchecked corruption, small business remained severely challenged in 2002.

Meanwhile, against the background of struggling private sector growth in the regions, in December 2001 Putin increased the salaries of civil servants by a sizable 89 percent. As a result, in 2002 regional governments were forced to spend a greater share of their budgets on public sector salaries and were left with fewer funds for other needs. This move effectively gave the federal government even greater control over dependent regions. The looming reform of the Unified Energy System electricity grid and plans to increase residents' shares of utility costs only further increased tensions between the regional elite, energy managers, and federal officials, who want to move the energy reforms forward.

Crackdown on individual freedoms, rise in extremism

The Putin administration continued its crackdown on the independent media in 2002. Following the NTV saga, the closure of the last independent national television station TV-6 took center stage. The broadcaster's demise left many regional affiliates without programming and under the threat of losing their frequency and broadcasting licenses. Regional media suffered from intimidation and coercion as well, often following muck-racking reports exposing corruption and other illegal practices. Journalists were murdered in Tolyatti, Taganrog, and Ingushetiya, and the death of a journalist in Smolensk is also suspect. Human rights groups have documented multiple instances of threats and intimidation against journalists, including the assassination attempt of a Sochi-based journalist for *Novaya Gazeta* and the sentencing to a labor camp of a Sverdlovsk Oblast newspaper editor for information published about the corrupt practices of the regional government's chairman. (For comprehensive information on crimes against journalists, see the Committee to Protect Journalists' website, www.cpj.org).

The expanded control over information access, coupled with rising concerns about security and economic stability, have encouraged public officials to increase their scrutiny of foreigners throughout Russia's regions. In June the State Duma adopted a law on the status of foreigners in the Russian Federation, which forbids foreigners from traveling outside the regions they have permission to visit, and also allows the government to maintain a database of foreigners living in the country. Additionally, Prime Minister Mikhail Kasyanov signed a decree that essentially closed the Yamal-Nenets Autonomous Okrug to foreigners.

Krasnodar Krai drew international condemnation by implementing a regional law restricting immigration that led to the planned deportation of several families of ethnic Kurds and thousands of Meskhetian Turks. The Kurds were relocated to Rostov Oblast, but Rostov refused to offer refuge to the Meskhetians and the year ended with discussion of possible asylum for the stateless Meskhetians in the United States. Following its neighbor's example, Stavropol Krai passed a similar law restricting the number of migrants who can be granted permanent residence in the region.

Over the course of the year, many foreigners working in Russia had to leave the country: five Roman Catholic clergymen had their visas revoked, the Peace Corps was told that the regions no longer needed its assistance (amidst accusations of spying), and Russia refused to renew the mandate of the OSCE mission in Chechnya. The Dalai Lama also failed to secure a visa to visit the Buddhist regions of Tyva, Buryatiya, and Kalmykiya.

Hate crimes and backlash against migrants from the Caucasus and Central Asia, as well as other minorities noticeably increased in 2002, particularly following the October hostage-taking in a Moscow theater by an armed Chechen brigade. South Korea's consul-general in Vladivostok was attacked in March, and the St. Petersburg Prosecutor's Office filed a report criticizing the city administration for its failure to combat growing racially motivated and extremist crime.

Furthermore, the brutal military campaign in Chechnya continued throughout 2002 amidst reports of massive human-rights abuses and civilian casualties. Conditions for individuals displaced by the Chechen conflict worsened as 2002 ended with the closure of several refugee camps in Ingushetiya and the "voluntary" resettlement of hundreds of displaced Chechens back to Chechnya.

Conclusion

Vladimir Putin succeeded in expanding federal power during 2002, having gained greater control over the regions through legislative, economic, and purely political means. At the same time, the governors remain extremely powerful within their own regions. Meanwhile, regional economies have yet to achieve sustainable growth, and key areas of social policy, such as education and public health, lack adequate financing. Though Putin remains extremely popular, after three years in office there is little direct evidence to suggest that the president's authoritarian approach to herding the regions will yield conditions for real democratic development. In spite of Russia's legitimate concerns about security, the wariness and backlash against foreigners in Russia's regions will only further increase their isolation and stymie long-term democratic growth. Furthermore, the Kremlin has set a powerful negative example for regions to follow by interfering in regional elections, failing to act consistently against crime and corruption, and ignoring the values of free speech and human rights.

Sources: Russian Regional Report, RFE/RL Newswire, RFE/RL Russian Political Weekly, Izvestiya, Nezavisimaya Gazeta, and the Committee to Protect Journalists.

BUSINESS AND POLITICS

KIRIENKO CHAIRS AIRCRAFT MANUFACTURER'S BOARD. Presidential Envoy to the Volga Federal Okrug Sergei Kirienko was elected chairman of the Aviastar-SP aircraft manufacturer's board of directors on 15 January. The leadership of this Ulyanovsk-based factory, which produces the Tu-204 and AN-124-100 Ruslan airplanes, had long sought Kirienko's appointment. The managers hope that Kirienko's authority will help them implement the \$350 million investment agreement they signed in 2002 with the Egyptian firm, Sirocco Aerospace International (see Russian Regional Report, 12 December 2002).

Sirocco leader Ibragim Kamel halted his investments after Ulyanovsk Governor Vladimir Shamanov supported efforts to bankrupt some enterprises connected to the plant. In particular, the new leadership of Aviastar, the holding company which held the valuable Aviastar-SP stock until it was transferred to Kamel in exchange for his investment, initiated several court procedures to regain control of the stock that it lost. As a result, the court impounded several airplanes and called into question several contracts signed by Aviastar-SP. Aviastar was recently was restructured to free the factory of its back-breaking debts. The result of the restructuring was the creation of Aviastar-SP, which holds the aircraft production assets, and Aviastar, a holding company that took the company's non-production related assets.

Even the intervention of Minister for Economic Trade and Development German Gref during the fall of 2002, guaranteeing Kamel's stock in exchange for his investment, did not solve the problem. Accordingly, it seemed that only presidential intervention would work. Vladimir Putin then personally recommended the election of Kirienko to the chairmanship, according to Tupolev Vice President Aleksandr Polyakov.

The managers expect that Kirienko, with his direct links to the Russian president, will be able to bolster Kamel's confidence so that he will provide the rest of his promised investment and the factory will have sufficient resources to build 5 of the 25 planes its contract with the Egyptian calls for. Kirienko's Volga Okrug is home to the majority of Russia's aircraft industry and Aviastar is one of the industry's largest factories.

Kirienko carefully analyzed the situation at the plant before agreeing to become the chairman of its board, according to the *Simbirskii kurer* newspaper. Governor Shamanov does not have a single representative among the new board members at Aviastar-SP, a real blow to his influence. - Sergei Gogin in Ulyanovsk

BASHKORTOSTAN'S RAKHIMOV COVERS UP CORRUPTION IN OIL INDUSTRY. One of the reasons for the continuing corruption in Russia is the federal government's failure to counter the assaults of big business and the regional authorities on the economic interests of the state. Neither the legal nor political methods employed by the federal authorities have proven effective, demonstrating either the weakness of the central authorities or the strength of the "oligarchs" and regional authorities.

One example of this trend is the six-month scandal surrounding the Bashkortostani oil refineries, which are under President Murtaza Rakhimov's personal control. In February 2001, the Ufa Oil Refinery (UNPZ), Ufaneftekhim, and the Novo-Ufa Oil Refinery (NUNPZ), the largest plants of their kind in Russia, concluded leasing agreements with the previously unknown firms, Bort-M and Korus-Baikonur. Both firms were registered in the city of Baikonur, Kazakhstan. The Baikonur firms supposedly rented the refineries even though they have only a few staff members and \$3,000 in capital. Under the arrangements, the refineries stopped paying taxes to the republican and federal budgets. The Baikonur firms also did not pay taxes, taking advantage of the 1995 Russia-Kazakhstan treaty, which made Baikonur a tax-free zone for firms that met certain conditions.

At the direction of the Russian Procurator General, the Bashkortostani procurator began investigating the leases in early 2002 and concluded the agreements were fictitious and the firms Bort-M and Korus-Baikonur had nothing to do with refining oil. The leases were cancelled and the authorities determined that the parties to the deals owed billions of rubles in back taxes. Nevertheless, the Bashkortostani enterprises, and the republican authorities standing behind them, refused to pay voluntarily. Therefore the federal tax ministry took the enterprises to court. Russia's current Tax Minister is Gennadii Bukaev, who headed the Bashkortostani tax inspectorate from 1992-1999 but had to leave because he refused to subordinate himself to Rakhimov. Additionally, the republican procurator filed a criminal case against the oil companies' leadership for tax avoidance.

However, in October 2002 the procurator had to drop the case under pressure from the republican leadership, formally citing a "lack of evidence that a crime had been committed." The republic's Supreme Court also did not find any wrong-doing at the enterprises. Only when the case went to the federal court and ultimately the Russian Supreme Court, did the judicial branch declare that the enterprises had signed fictitious contracts that cost the state 8 billion rubles in taxes.

During December 2002 and January 2003, the State Duma's Accounting Chamber confirmed that the enterprises had not paid taxes with the support of the republican authorities for gasoline produced during the period 2000-2001. The chamber's

investigators still have to file a final report and the republican authorities are pressuring them to reduce the amount of the losses to the state. With this goal, Rakhimov met with Bukaev in Moscow on 22 January.

On the eve of his meeting with Bukaev, Rakhimov claimed that he had already worked out a deal with Putin, who visited Ufa on 4 January. However, Bukaev made clear to Rakhimov that there would be no exceptions for Bashkortostan's oil enterprises (*Kommersant*, 24 January). Nevertheless, Bukaev's agency is apparently going to conduct one more investigation to determine how much the enterprises owe in back taxes.

According to *Kommersant*, the back taxes and fees should amount to 11-12 billion rubles, about a third of the Bashkortostani budget. Some observers believe that Rakhimov will have to give up control over some of "his" refineries to cover the debts to the federal budget. However, an alternative scenario is that the republican authorities will be able to use their lobbying skill to intervene at the federal level and reduce the overall tax debt.

This scandal may affect the republican presidential elections scheduled for June this year. Perhaps the federal authorities will decide that it is finally time to remove Rakhimov from office. Clearly Rakhimov has willfully disregarded Putin's call for all oil companies to pay the back taxes they owe since 2000. Lukoil, for example, voluntarily paid 3 billion rubles in such taxes at the end of 2002, according to *Novye izvestiya* on 22 January. The Bashkortostani authorities have made clear that they are not going to cooperate on this issue. They will only bow to forceful threats that Rakhimov will lose his job. The efforts of the procurator or judicial branch do not frighten them.

Since 1997 Rakhimov's son Ural has been in charge of the oil sector and would have had to sign off on the falsified contracts. Potentially, the federal authorities will be able to weaken Rakhimov's control over the energy sector to such an extent that he will not be able to put up much resistance to federal policies. However, Rakhimov will work hard to defend as much of his control over the oil industry as possible. - Igor Rabinovich in Ufa

CENTER-PERIPHERY RELATIONS/POLICE REFORM

ASTRAKHAN GOVERNOR RESISTS FEDERAL APPOINTEES AS CRIME JUMPS. The Ministry of Internal Affairs' leadership criticized Astrakhan Oblast Police Chief Vladimir Khvatkov at a 17 January meeting to discuss the results of his agency's work during 2002. The oblast has one of the worst functioning police forces in the country, according to a ministerial investigation conducted during November and December 2002. The crime rate in Astrakhan Oblast is higher than in all the other regions in the Southern Federal District. During 2002, 47 percent of serious crimes went unsolved. There was an increase in premeditated murders, brigandage, and robberies. Regional law enforcement officials have no coherent strategy for dealing with organized crime groups (including ethnic ones) or reducing the drug trade. The figures reflect the low level of professionalism among the police. Over the course of 2002, there were 656 validated complaints about illegal activities by the oblast's law enforcement officers in a force numbering about 6,500.

Khvatkov was appointed Astrakhan police chief in 1999. He is a native of the region and had risen through the local police ranks. Astrakhan Governor Anatolii Guzhvin had played a major role in Khvatkov's appointment. He convinced the MVD

leadership that the Astrakhan police chief should be intimately acquainted with the details of the local area and its traditions. The governor promised to support the police, after having strained relations with Khvatkov's predecessor.

Despite their historical alliance, the governor had no kind words for Khvatkov at the 17 January session. Guzhvin noted that "the governor's office is constantly increasing the amount of financing for the police's material and technical support, but the results are not visible." The governor also noted that the police's poor work was hindering the socio-economic development of the oblast. For example, Astrakhan's overall investment rating has dropped from 12th place among Russia's 89 regions to 44th. The deteriorating criminal situation helped spur this drop.

Despite this harsh criticism of the police chief, most local observers do not think that Guzhvin will seek the removal of Khvatkov. During the last 18 months, many important federal and big business positions have been filled without the governor's participation and with people from outside the region. Among these new appointees are the oblast procurator, the general director of Astrakhangazprom, the head of the committee on natural resources, and the head of the anti-monopoly committee. As a result, the governor must keep in place his "old" cadres to protect his political authority against federal encroachments. - Ivan Ivolgin in Astrakhan

ELECTIONS 2003-2004

RUSSIA FINISHES LATEST ROUND OF MODIFYING ELECTORAL LEGISLATION. In the decade since it began holding competitive elections, Russia has overhauled its electoral legislation after each round of federal voting, and the most recent cycle was no exception. Shortly after the 2000 presidential elections were over, Putin issued a decree on 26 August 2000 setting up a working group within the Central Electoral Committee to prepare drafts for revising the electoral laws.

In October 2000 the commission announced that it planned to finish rewriting the laws by the end of 2001. However, during that year, the lawmakers only succeeded in adopting a new law on political parties. In June 2002, Russia revised its law on voter rights, which is the main framework law in the Russian system of electoral legislation. Once the framework law was in place, the Duma began to consider new laws for electing the Duma and the president and Putin ultimately signed these laws in December 2002 and January 2003 respectively. The president also signed a new law on the "Vybory" automated vote counting system. Taken together these laws marked the end of the latest cycle in electoral law transformations.

Even though the new laws were adopted one year later than the deadline announced by the Central Electoral Commission, they came into effect well in advance of the beginning of the next electoral campaign season. The previous laws on electing the lower house were adopted one to two months before the beginning of the corresponding campaigns.

The main change in the electoral laws is the increased role for political parties in the electoral process. National political parties will be the only organizations with the right to nominate candidates in federal and regional elections once the law goes into effect on 14 July 2003. The law preserves the right to form political blocs, but these blocs can have no more than three members and at least one member must be a political party.

Individual citizens can nominate themselves for office, but groups of voters no longer have this right. Non-political organizations still have the right to nominate candidates in local elections.

Parties that succeed in having their lists included in the State Duma elections will gain a variety of new benefits. They will receive financing from the state budget proportional to the number of votes they receive. Additionally, the candidates nominated by these parties will not have to gather signatures or provide a deposit to join the ballot. Both of these provisions will take effect after the 2003 Duma elections.

The new law on the State Duma elections requires that for the 2003 elections mandates distributed through the party-list system should go to no fewer than three party lists (the previous law required "no less than two"). After the 2003 elections, parties must receive more than 7 percent of the vote to enter the lower house (up from 5 percent) but no fewer than four parties must participate. Since it is unlikely that more than four parties will win over 7 percent of the vote, after 2007 Russia seems likely to have a fixed four-party system.

The presidential electoral law envisions that parties and blocs nominating presidential candidates will receive free air time and newspaper space in addition to the free air time and newspaper space given to all candidates. Half of the free newspaper space will be divided among the candidates and half among the parties that have nominated candidates. Thus party candidates have substantial advantages over independent candidates in terms of campaign resources.

Another important innovation aimed at strengthening the role of parties is the demand of the framework law that no less than half of the membership of regional legislatures be elected through party lists. This provision also will go into effect on 14 July 2003.

Beyond strengthening parties, the new laws seek to limit the tyranny of electoral commissions and courts in refusing to register candidates or disqualifying them from races. The list of causes for taking such steps was reduced significantly. Canceling a candidate's registration for violating the electoral law has become an exclusive prerogative of the court. Now a lower court can take such a decision only five days or more before an election. However, the process was not taken to its logical conclusion: there are no limits on the time period for appeals in such cases.

The rules for setting up electoral commissions have significantly changed. Now, higher standing electoral commissions, rather than regional and local authorities, form the district, territorial, and precinct electoral commissions. The higher standing commissions also appoint the chairmen of such commissions (previously, the commissions elected their own chairmen). Regional and local authorities set up the respective regional and local commissions as in the past, however, each of these commissions has two members appointed by a higher commission and the chairmen of these commissions are elected at the recommendation of higher standing commissions. These changes should reduce the dependence of the electoral commissions on the regional and local authorities and strengthen the level of centralization in the organization of electoral campaigns.

While the process of amending the federal election legislation is complete for this cycle, the regions are still deeply involved in the process of bringing their legislation into line with the new federal norms. Most regions have never used party list voting in selecting members of their legislatures, so serious changes are required in existing

regional legislation. Many regions hope that it will be possible to force changes in the federal legislation so that they do not have to use party lists in their voting. The Orel Oblast Soviet has already made such an appeal to the Constitutional Court. Several members of the Federation Council claim that some passages of the laws on the Duma and presidential elections are unconstitutional. Moreover, twelve different groups already have proposed amendments to the framework law on voters' rights following its adoption just six months ago. - Arkadii Lyubarev in Moscow

FAR EAST

PROFESSOR: GOVERNOR WASTING OPPORTUNITIES IN PRIMORSKII KRAI.

The Primorskii Krai leadership did not take advantage of the numerous opportunities it had in 2002, turning in a disappointing performance, according to Professor Mikhail Shinkovskii, the director of the Institute on Foreign Relations at the Vladivostok State University of Economy and Service (VGUES). Governor Sergei Darkin came to power with a widely publicized economic development program, but it has not produced any results, the professor claimed. Darkin took office saying that as a businessman he knew the problems of the community from the inside and could help resolve them. However, he only helped the business affiliated with him and his team (at the time of his election, his main company was Roliz), the professor asserted. The result of Darkin's actions was that the Primorskii business elite decided that it needed to secure its own political power in order to protect itself from the governor. "Look at the make up of the krai's Legislative Assembly: there are only businessmen there! Why would they need to seek political office if one of their own was in power? And since they decided to take power to protect themselves from an opponent, they are conducting themselves accordingly, the professor noted.

Last year, Putin visited the region for six days, an unusually large amount of time for the president to spend in just one region. Many in the Far East feel that they are cut off from the rest of the country because it is very expensive to travel to Moscow or St. Petersburg. This feeling alarmed Putin during his visit and at a meeting with Far Eastern leaders, he said that "Far Easterns should have preferences."

The local leadership should use this presidential opinion to lobby federal offices to support its interests, Shinkovskii said. But after Putin's visit, the government increased the customs duty on importing cars and this new fee hurt people in the Far East the most, particularly those in Primorskii Krai. Russian cars are very expensive in the Far East due to transportation costs and of much lower quality than Japanese cars. After 1 December 2002, it became harder to import minibuses and small trucks, particularly hurting small- and medium-sized business.

One can understand why the government took these actions, since it comes under intense pressure from the automobile lobby. "But I do not understand why the regional authorities demonstratively avoid arguing with the federal government," Shinkovskii said. He said that in the same situation former Governor Yevgenii Nazdratenko would have used the president's opinion to crush the government.

The current governor's position toward Moscow is basically "What can I do for you?" the professor said. The krai authorities avoid getting in the way of the federal officials. And what the federal government is doing does not improve the investment

climate in the krai, develop the krai economy, or give the region any hope for the future, Shinkovskii said. - Irina Drobysheva in Vladivostok

REGIONAL ELECTIONS

MORDOVIYA PRESIDENT HEADING FOR REELECTION. Taking full advantage of the benefits of incumbency, Mordoviya President Nikolai Merkushkin looks likely to win reelection in the republic's 16 February elections. Merkushkin has ruled the republic since 1995, wielding more power than the former Obkom secretary. Even though he does not have the legal power to remove mayors, Merkushkin is able to do so in practice. Since he has essentially appointed all of the republic's mayors, they will work to ensure his victory so that they also will keep their jobs.

Merkushkin is expected to win 75 percent of the vote in the first round, including 90 percent of the rural vote. In the countryside, the president made himself popular by paying some of the children's benefits due since 1998 and partially paying agricultural cooperative salaries owed since 1999. The voters will be grateful for these moves even though the republic has one of the lowest average wage levels in the country (2,577 rubles a month in November 2002). Only 31 percent of the more independent urban voters are expected to support Merkushkin, though many potential protest voters may simply stay home since they know that the election will largely be decided regardless of their input.

This campaign marks some progress over the 1999 republican presidential election since now Merkushkin has four "opponents," whereas in the 1999 race, there was only one. That candidate only spoke out once, and he called on everyone to vote for Merkushkin. Other potential candidates were simply not registered after alleged violations were found in the signature lists supporting their application to join the ballot.

Several of the current candidates never appear in the media, but Merkushkin is everywhere. In the country, he appears on the nightly news opening gas pipelines, while in the city, he cuts the ribbon for new gymnasiums in schools. He drives all over the republic in a Mercedes and has published numerous book, brochures, and newspapers. There can hardly be enough money in his campaign fund, which officially cannot exceed 3.5 million rubles, to cover these expenses. The limits were never intended to limit the president's actions. Rather they were adopted in order to prevent any oligarchs from financing an opponent to run against Merkushkin, thereby preventing him from securing a third term. - V. Balashov in Saransk

CROSS-BORDER TRADE

KAZANTSEV ENCOURAGES TRADE BETWEEN SOCHI, ABKHAZIA.

Presidential Envoy to the Southern Federal District Viktor Kazantsev visited the Psou border control point on the Russian-Abkhazian border on 26 December. Thousands of Abkhazian residents cross this point between November and March in the hopes of selling their crops of citrus fruits and nuts. Russia remains the only market for these subtropical products and the only way that the Abkhazians can earn a living.

No country in the world has recognized Abkhazia's efforts to break away from Georgia. Nevertheless, Georgian authorities are particularly unhappy with what they see

as Russia's unproductive policies toward the region and want to exert greater Georgian control over Abkhazia. However, Russian officials like Kazantsev are trying to facilitate greater interaction between Russian regions and the breakaway republic.

Kazantsev was not happy with what he saw in Psou. In order to cross the 100-meter border zone, people spend eight hours standing in line. Kazantsev gave his subordinates a one-month deadline to improve the situation. The envoy said that the entire trading situation at Psou should be overhauled. In particular, he wants to do away with the many middlemen who drive up prices on the fruit. Kazantsev recommended that the Sochi city administration work with the Abkhazian leadership to set up wholesale purchases of fruit and nuts and bring these goods by truck into Russia. This solution would reduce the price of fruit at Sochi's markets, making it more accessible to Russian consumers. Kazantsev said that the sellers would also benefit because they would be free of the middlemen and the corruption that goes with them. Currently, one kilogram of mandarins in Sochi costs between 20 and 40 rubles, about the same as in Moscow.

Several attempts are underway to make Sochi more accessible to residents of Abkhazia. For the first time since the beginning of the Georgia-Abkhazia conflict in 1992, there is an electric train linking Sukhumi and Sochi. So far the train has only conducted tests without passengers for the 6.5-hour route. Kazantsev called for pushing ahead, despite Georgian objections.

Since 1992, the CIS has blockaded Abkhazia as it seeks to separate itself from Georgia. The rail link connecting Sochi and Abkhazia is one of the most serious efforts to strengthen ties between Russia and the breakaway region. The Georgian reaction has been extremely negative. Georgian refugees from Abkhazia blockaded the UN representation and Russian peacekeeping forces, operating under a CIS mandate, in the Unguri Raion, demanding that the Russian troops be withdrawn and that service on the rail line be halted. Georgian President Eduard Shevardnadze subsequently demanded that work halt on the train line and said that he would extend the peacekeepers' mandate, which expired 31 December, only if it did.

After meeting with Shevardnadze in Kiev on 28 January, Putin announced that the rail service would resume only when Georgian refugees from Abkhazia begin to return to the Galskii Raion. The UN Security Council will determine whether to extend the UN observers on 15 February depending on whether Russia and Georgia agree to extend the CIS peacekeeping forces. - Nikolai Semenko in Sochi

KURSK HOPES TO COPY BELGOROD SUCCESS WITH UKRAINIAN NEIGHBORS. Kursk Oblast is trying to increase its trade with neighboring Sumsk Oblast in Ukraine, matching similar success between Belgorod and Kharkov oblasts. During a 15 January visit, Sumsk Oblast leader Vladimir Shcherban and Kursk Oblast Governor Aleksandr Mikhailov signed a joint declaration to their national governments calling for simplifying customs and border regimes in the interest of helping people living in the border regions.

In 2001, Russia and Ukraine signed a treaty simplifying customs and border regimes for residents of the border regions in Belgorod and Kharkov oblasts as an experiment. Kursk and Sumsk now want to extend the treaty to their own regions since they believe that it significantly increased the foreign trade activity of enterprises in Belgorod, making a powerful positive impact on local markets.

Kursk and Sumsk signed a trade agreement in November 2001 and it is quickly becoming an important factor in Kursk's economic development. During the course of 2002, Kursk enterprises sent 1.32 million rubles worth of goods to its neighbor. While the amount of trade is still small, it was five times more than in 2001. For the first time, the two regions traded agricultural products and Sumsk enterprises sold light industrial goods to the Russians. The two sides agreed to finalize plans for establishing trading houses in their respective regions by 1 May 2003. - Sergei Sarychev in Kursk

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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.

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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), the editor of the Russian Regional Report.

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Russian Regional Report
(Vol. 8, No. 3, 18 February 2003)

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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REGIONS' FOREIGN POLICIES

PRESIDENT CREATES GOVERNORS' COUNCIL ON FOREIGN POLICY. At a 22 January State Council meeting held to discuss foreign policy issues, President Vladimir Putin created a new governors' council under the auspices of the Ministry of Foreign Affairs to handle foreign policy issues. The State Council brings together the president and all 89 Russian governors to discuss important issues affecting the Russian state. Observers are now asking whether the new council is part of a Kremlin strategy for defining foreign policy priorities or simply an effort to serve the Kremlin's short-term interests on the eve of the 2003 State Duma and 2004 presidential elections.

At the session, Putin said that it was important to include the regions in defining Russian foreign policy. Today 46 Russian regions are located along the country's international border. "Many issues important to Russia are resolved outside of the capitals and therefore Russian diplomats should better assimilate the regional level of work in foreign states," Putin said (*Nezavisimaya gazeta*, 29 January). Putin noted that the way the border regions develop will determine Russia's image abroad. Foreign Minister Igor Ivanov was a little more original in his formulation, proclaiming that one of the new goals of Russian foreign policy was to create a "belt of good neighborliness" around Russia's borders.

It is not clear exactly what Ivanov meant by this phrase. Has Russian diplomacy over the last few years somehow created a "belt of bad relations"? Or are Russia's diplomats trying to counter the American thesis about the "axis of evil," comprised of outcast countries around Russia's southern and eastern borders?

Russian governors welcomed Putin's initiatives. Each of them likes to participate in such an important task as defining Russian foreign policy goals and developing the priorities of border cooperation. North Osetiya President Aleksandr Dzasokhov, who chairs the State Council working group on international issues, made an hour-long speech about the challenges of Russian foreign policy, stressing the need to secure a worthy place on the international stage, reduce the distance between Russia and the centers of economic power in the modern world, and other goals. The leaders of border regions called for a more consistent foreign policy that better deals with such border risks as the rising number of immigrants, escalation of militarized conflicts, crime, the drug trade, and other issues.

Externally at least, these events seemed to represent a decision to allow the regional leaders to participate in developing Russia's foreign policy doctrine. With such attention, the governors can again feel like national leaders. Once again, they began to feel the enthusiasm and self-importance that they had experienced during the Yeltsin era when they were automatically members of the Federation Council.

However, Putin did not give the governors the right to set Russia's foreign policy goals, handing them a more modest task instead: seeking foreign resources to resolve their specific regional problems (*Volga* [Astrakhan], 23 January). The main result of the meeting was the formation of the new council. Now the regional leaders will be able to have a voice in Russian foreign policy. Or at least they will have the opportunity to sit in one more body created in the center.

Why does Putin need the new council? Why create one now when the border regions have long conducted their own economic foreign policy without such a council? To take just one example, the relatively resource-poor Belgorod Oblast on the Ukrainian border alone has trade turnover of \$800 million a year with its neighbor.

The main impetus behind this initiative is the short-term interests of the president's team. The president needs the governors' support on the eve of the upcoming national elections. The Kremlin understands that a humiliated governor, who over the course of the last two years has lost power and influence, is a dangerous governor. On the eve of the elections, it is necessary to give the governors some "carrots."

The creation of the new council comes one year after the federal government delivered a significant blow to the regional executives. On 1 January 2002, the new federal law on natural resources came into effect, taking more than half of the tax revenue derived from exploiting such deposits from the regions and concentrating it in the center. Now the federal government is demonstrating public respect for the governors without taking on any additional responsibilities or costs. - Arbakhan Magomedov in Ulyanovsk

STATE AND MEDIA

FSB ACCUSES PERM JOURNALIST OF INSTIGATION TO EXPOSE STATE SECRETS. On 12 November 2002, the Perm Federal Security Service (FSB) entered the offices of Perm's largest newspaper, *Zvezda*, blocked the door, and in the presence of the

Editor-in-Chief Sergei Trushnikov and his two deputies conducted an extensive search. They opened the safe, and took documents and the hard disks of the computers. The search lasted until evening, after which the journalist Konstantin Bakharev was taken for an interrogation.

Clearly this action was the result of articles that Bakharev had published in the paper. Shortly before the search, the newspaper had published an article entitled "Superagent Artem," which detailed the story of the drug dealer Geli Bogdanov (nee Artem) who voluntarily agreed to help the Ministry of Internal Affairs (MVD) fight the drug trade in exchange for his freedom. In 1998, the FSB arrested Bogdanov with 12 kilograms of hashish and 1.5 kilograms of heroin. In his new capacity, he supposedly arranged the delivery of more than 2.3 kilograms of heroin from Yekaterinburg to Perm. However, there was only 18 grams of pure heroin in the shipments, suggesting that he had no real intention of working honestly with the police. Agent Artem sold the real heroin himself, bypassing his police handlers. When the MVD again detained Bogdanov, he said that he was an agent of the Perm counterintelligence forces and an employee of Tajikistan's Committee for National Security (Bogdanov had been detained in this country on charges of giving bribes). Bogdanov also claimed to be a special agent of Israel's Mossad.

Apparently, Superagent Artem was of particular concern for the Perm FSB if the Chekists so zealously searched the editor's office for information about him. It is also possible that another *Zvezda* article, which appeared a little later, but just before the search, played a role as well.

The gist of this article was the following. In April 2002, unidentified assailants attacked Ekh Sharki, a Moroccan pharmacy student. At about the same time, the FSB unsuccessfully tried to recruit a student of the Perm MVD institute who was interested in the history of secret societies and patriotic organizations in Russia. The article alleged that when the student rebuffed the FSB's approaches, the security service decided to take revenge on the obstinate youth and make him guilty of beating the Moroccan. Soon Sharki identified the youth as his attacker, saying that he recognized him by his cheeks. Additionally, a woman who happened to be walking past at the time of the attack also said that she recognized the assailant by his nose. We should note that the student's nose and cheeks are not unusual in any way. Additionally, a person who apparently did participate in the attack gave evidence against the youth.

Following these events, the FSB had reason to search the student's apartment, as a result of which they found patriotic journals, a piece of paper with the word "Israel" written on it, several books, and photographs of soccer fans. To complete the evidence, a man named Sergeichuk was brought in. Sergeichuk is interested in sadism, singeing the fur of live dogs, and, according to rumors circulating among young people, involved in at least two murders. The journalist suggested that Sergeichuk admitted these and other sins because he often visits the local FSB.

These are the "state secrets" that *Zvezda* exposed in its pages. In these conditions, the FSB decided that it had to respond. The FSB has no interest in revealing its secret agents. But the service could not leave unanswered charges that the FSB employs such obvious scoundrels who get away with such crimes. The result was the search in the editor's office.

On 4 February, journalist Bakharev, who had signed papers that he would not flee, was brought in for another interrogation where he was charged with "incitement to expose state secrets." He was told that this accusation was only provisional and that more would follow. The FSB made these charges even though Governor Yuri Trutnev and other leading Perm politicians had explicitly made clear that they did not welcome such incidents. Trutnev's Federation Council member Oleg Chirkunov and Perm State Duma member Viktor Pokhmelkin sharply criticized the FSB actions.

Perm Ombudsman Sergei Matveev said that the law on the media gives journalists the right to find information and publish it. He argued that Bakharev could not be accused of revealing state secrets in the press because he was not warned about his responsibility for revealing such information and had not signed documents affirming that he would not reveal it. Matveev said that it would be difficult to hold the journalist criminally liable. However, the FSB has not accused the journalist of revealing state secrets, but of incitement to reveal them, a crucial difference. It would not be hard to find an FSB employee who would give evidence that the journalist had tried to get a secret out of him. This is much easier than accusing a person of beating a Moroccan on the basis of the shape of his cheek and nose.

Matveev, who was present when the newspaper's offices were searched, acknowledges that formally the FSB representatives acted within the framework of the law. Nevertheless, other participants in these events charge that if the law wasn't broken, then the FSB actions were on the verge of breaking it. Additionally, the entire operation was organized so that it appeared maximally frightening. - Konstantin Petrov in Perm

CORRUPTION

COURT HEARS CORRUPTION CASE AGAINST HIGHEST SARATOV

OFFICIAL YET. On 13 February, the Saratov Oblast Court began hearing the case against former Saratov Culture Minister Yuri Grishchenko, who accused of taking bribes in performing his functions. This is the first corruption case of such a high level official, openly heard in a regional court, and potentially leading to a conviction.

Law enforcement agents arrested Grishchenko in his office on 21 November 2002 when he took \$1,000 and 20,000 rubles from Yuliya Shestyuk, the director of the show business company Anshlag-94. The oblast procurator and the FSB jointly planned the operation after Shestyuk informed them that the minister was extorting money from her firm to gain approval to rent the Saratov Academic Opera and Ballet Theater for a concert of Bolshoi Theater soloist Larisa Rudakovaya. After his arrest, Grishchenko was incarcerated and the oblast procurator filed a criminal case against him.

At the beginning of the investigation, Grishchenko admitted that he took money from Shestyuk, not as a bribe for the right to rent the theater, but for different reasons. However, the director of Anshlag-94 has stuck by her case. She alleges that Grishchenko's secretary Olga Pokrovskaya recommended that she pay the money. Subsequently, she met with Grishchenko, who confirmed the conditions. Shestyuk appealed to the procurator and FSB on the advice of lawyer.

The investigation demonstrated that the oblast employs a system, which facilitates corruption among officials who handle show business. Until 1998, when Governor Dmitrii Ayatskov established the Culture Ministry's Council on Renting Concert Halls,

program producers worked directly with hall owners. Since then the Saratov Oblast government has inserted itself into the process because the ministry must give its approval to all contracts. Despite this requirement, theater owners and producers interviewed say that the bureaucrats have not hindered the signing of any contracts.

Much remains unexplained about Grishchenko's arrest. Shestyuk had to appeal to him after she could not reach an agreement about renting the stage with Ilya Kiyanenko, the director of the opera and ballet theater. Kiyanenko himself had long served as the oblast's culture minister but decided to resign (a unique case in the oblast), to take over the region's largest and most prestigious stage, doing so while also retaining good relations with the governor. Grishchenko is not Kiyanenko's direct successor, but the third to serve in this position. He became minister only in the summer of 2002, a few months before his arrest. Before that, he worked as the first deputy to the previous minister, Vladimir Lotarev, and after he took over the top job, many assumed that he would be a transitional figure before the appointment of a new minister. Kiyanenko said that he refused to rent the theater to Shestyuk for personal reasons. He said that he was insulted by an article published in the local newspaper *Reporter*, which accused him of giving out an unseemly large number of seats in the theater to representatives of the culture ministry. The theater director asserted that Shestyuk stood behind this publication. When Kiyanenko refused to rent Shestyuk the stage, he advised her to appeal to Grishchenko. The minister said that he took the money as compensation for the damage done to his reputation by the same article that offended Kiyanenko.

Another strange feature of this case is that Grishchenko is the first bureaucrat of his rank to be arrested for taking a bribe in the oblast even though information about corruption in the oblast government has circulated for a long time. Although such information was available, no one tried to follow up on it, or if someone did, nothing is known about these investigations. Nevertheless, Oblast Procurator Anatolii Bondar announced that in 2002, the procuracy exposed 115 cases of bribery, 20 percent more than in 2001. Against this background, it seems that Grishchenko's arrest is not so much a great accomplishment in the battle against corruption, but a political show. Therefore, local analysts have suggested two political hypotheses to explain these events.

According to the first, the oblast procuracy organized the arrest. During the last year, it has demonstrated its own political will and ambitions with increasing energy. According to a poll of experts conducted by the journal *Obshchestvennoe mnenie*, Procurator Bondar was the most successful politician in 2002. Working in coordination with the federal government, the oblast procurator has focused most of his attacks on the governor's team. The procurator has taken a much softer line against the governor's opponents, such as Saratov Mayor Yurii Aksenenko and his associates, even working together with them in last year's regional legislative elections. From this point of view, the arrest of Grishchenko could be a show of force and a warning to the governor that the procurator is prepared to take decisive action against him if he does not make compromises, the nature of which we can only guess at, given the overall lack of information publicly available about Saratov politics.

Other analysts argue that organizing a special operation to arrest an oblast minister in his office would be impossible without warning the governor and effectively receiving his sanction for such activities. If Governor Ayatskov did not want such a public crackdown on corruption, he would have found a way to prevent it. In particular,

most know that he maintains close relations with the oblast's Federal Security Service (FSB), which helped organize the operation. Moreover, even before the media announced Grishchenko's arrest, the governor stated that the oblast Security Council participated in planning the action. The oblast Security Council is a body that coordinates the actions of the oblast's law enforcement agencies. Its functions are not defined in regional legislation and it effectively works as the governor's special service. The oblast authorities also announced that "This arrest is not the last. Soon there will be several more. All bureaucrats with tainted hands will soon have to stand trial. Anyone who attempts to take a bribe will be punished in the strictest way." This official response, combined with Kiyanenko's strange behavior, makes it possible that the governor's team arranged the arrest. The recent weakening of Ayatskov's authoritarian regime in the oblast has led to increasingly lax discipline among his team. Therefore it is possible that by punishing a recently appointed and relatively powerless minister, the governor wanted to warn his other subordinates about the costs of excessive independence and insufficient loyalty.

Both explanations are plausible, but a lack of information makes it impossible to determine which is closer to the truth. Possibly Grishchenko's trial will make the situation clear since it will offer an opportunity to judge the behavior of the interested parties and the sentence handed down. - Ilya Malyakin in Saratov

KOMPROMAT AS A POLITICAL WEAPON

GOVERNOR'S CAMPAIGN STARTS IN TVER. Tver Oblast will hold its gubernatorial elections in December 2003, but the war of compromising information (*kompromat*) between candidates is already underway. The first shot in the vendetta against Governor Vladimir Platov was the publication of a book by the journalist Ruslan Dzkui entitled "Territory of Corruption." The author and several influential regional politicians who support his criticism of the governor tried to give the accusations national significance by holding a press conference to present the book in Moscow on 3 February. The book paints an unflattering portrait of the governor and his team using the reports of numerous financial audits of the administration's activities.

Platov decided that he could not ignore the book and personally went to Moscow to accuse Dzkui of juggling the facts and biased reporting (*Veche Tveri*, 4 February). A large group of the governor's supporters accompanied him to the presentation, indicating that he is stepping up his activities in preparation to defend his position.

Many Tver observers believe that the publication grew out of the growing confrontation between the governor and Tver Mayor Aleksandr Belousov, one of his most likely opponents in the upcoming campaign. Most likely, the governor's response to the book was the broadcast by Andrei Karaulov's "Moment of Truth" show on Moscow's TV Tsentr accusing Belousov of destroying Tver's municipal services system, disrupting heating and hot water supplies this winter. Despite the mayor's obvious responsibility for these events, the anti-governor newspaper *Veche Tveri* sought to defend him. It reported that a commission chaired by State Construction Commission Deputy Chairman Sergei Kruglik did not find any serious violations in heat and water supplies for the city's residents, as will be reported to the Duma (*Veche Tveri*, 5 February).

It is unclear why the commission came to this conclusion, but it appears that Tver residents will have to live in poorly heated houses without hot water for a long time. Of

course, the residents do not need a Moscow-based commission to know what is going on and such campaign tactics are unlikely to be effective. In any case, the mayor's political opponents among the governor's team are preparing to publish a book of compromising information about the city administration. In fact, in this year of elections, there will be plenty of compromising material on the pages of newspapers and books and in television and radio broadcasts to keep people entertained, if not actually warm. - Boris Gubman in Tver

CENTER-PERIPHERY RELATIONS

IRKUTSK AUTHORITIES CRITICIZE KOZAK REFORMS. The legal service of the Irkutsk Oblast Legislative Assembly and governor's administration produced a negative evaluation of President Vladimir Putin's proposed law on overhauling Russia's local government system on 11 February. The presidential administration introduced the laws to the State Duma in early January and simultaneously sent them for discussion in the regions.

The bill seeks to revamp Russia's system of local government, creating a two-tier system. At the lower levels will be rural governments and settlements. The upper levels will be "municipal raions," uniting several rural and urban settlements in a given territory.

"This 'matroshka doll' principle of management will not only deprive the lower level of independence, but it will also require much higher expenses to manage," according to Boris Alekseev, the chairman of the oblast legislature's committee on state building at the oblast and local level. "The bill says that the costs for supporting the new system of local government will not impact the federal budget. Then they will have an even greater impact on the local budgets!"

If two thirds of the regions similarly object to the legislation, it will have to be withdrawn, according to Alekseev. The State Duma is expected to consider the bill on 21 February. - Teleinform in Irkutsk

BANKRUPTCY

VOLGA FEDERAL OKRUG PLANNING TO CREATE BANKRUPTCY COUNCIL. The Volga Federal Okrug is planning to create a coordinating council on preventing the use of bankruptcy for criminal purposes. Participants at an okrug conference on this topic noted that the number of bankruptcy-related crimes was rising every year. According to the federal bankruptcy service, there were 73 suspicious bankruptcies in the Volga Federal Okrug in 2001 and further investigation showed that 39 of these were improper. In 2002, the numbers grew to 276 cases that aroused doubts and 114 that proved to be falsified.

Presidential Envoy to the Volga Okrug Sergei Kirienko said that only coordination of all law enforcement and audit agencies would be able to prevent the criminal use of bankruptcy. The leaders of these agencies in the okrug will be members of this council, which will have its first meeting this month (<http://news.sarbc.ru/main/kirienko/24/01/2003/29336>). - Ye. Lvovich at TraCCC-Saratov

BUSINESS AND POLITICS

MDM GROUP ASSUMES LARGER ROLE IN KOMI. The republic of Komi is experiencing a difficult political transition one year after the election of its new leader, Vladimir Torlopov, the former speaker of the republican legislature, who took over from the long-serving Yurii Spiridonov. The instability is apparent in the staff turnover among the governor's team and the uncertainty leading up to the 2 March regional legislative elections.

Upon his election, Torlopov said that he wanted a small, energetic team. He brought in Yevgenii Leskin from business (a former president of KomiTEK), Vera Skorobogatova from Moscow, and Yurii Kolmakov, the most promising young member of Spiridonov's administration. Six months later, however, he appointed Chief Federal Inspector for Komi Aleksei Grishin as his first deputy. Before taking the job as the federal government's regional curator for Komi, Grishin had long served as Spiridonov's chief of staff. He fit in well with Spiridonov's authoritarian and centralized style, but did not get along with Torlopov's assistants, who preferred a more democratic approach to management. Leskin and Kolmakov have already left the governor's administration, and Skorobogatova is expected to leave soon.

At the same time, the governor recalled his representative to the Federation Council Rakhim Azimov. Torlopov had appointed Azimov, a controversial local businessman who had supported his election campaign, one year earlier. The governor then appointed Grishin as his senator in place of Azimov.

As his new chief of staff, the governor appointed Nikolai Levitskii, a 30-year old manager who until recently led one of Europe's largest industrial holding companies, EvroKhim, which is part of the MDM Group (<http://www.eurochim.ru/president.htm>). Previously, Levitskii had worked as a vice president at Slavneft, Bank Imperial, KomiTEK, and Komi Bank. Levitskii brought with him two colleagues from EvroKhim (the 26-year old Pavel Orda and the 40-year old Aleksei Kabin) to replace Leskin and Komakov in the governor's administration. Another manager is expected to replace Skorobogatova soon.

In a speech to the republic's legislature, Levitskii said that would actively seek large investments for Komi, establish mutually beneficial relations with the big business already working in the republic, and optimize the expenditure side of the republican budget. He said that he did not plan to conduct experiments, but was going to implement a well-thought out and tested strategy for increasing all of the republic's economic indicators (*Krasnoe znamya*, 12 February).

The newspaper *Versiya v Komi* (12-18 February) argued that a new team of Moscow-St. Petersburg managers has come to the republic to take over both its business and political heights. Clearly the MDM group has won a decisive victory in the battle among the Moscow-based oligarchic groups over the resource-rich republic.

Torlopov faces a potentially powerful opponent in a reenergized Spiridonov, who is running for a seat in Komi's legislature from the republic's oil capital of Usinsk, where he served as a Communist Party of the Soviet Union city first secretary and has a reliable power base. However, Lukoil is opposing him in this race by running one of its managers against him. In January Lukoil President Vagit Alekperov visited the republic and signed

a cooperation agreement with Torlopov. Most likely, Spiridonov has little to fear from this corporate opposition. Lukoil has not had particular success with candidates in various elections, including an expensive campaign against Nenets Autonomous Okrug Governor Vladimir Butov and a recent mayoral campaign in the western Siberian city of Urai.

The current difficult situation in the republic works in favor of Torlopov's opponents. Economic growth last year was less than 1 percent, there is an enormous budget deficit, many difficulties with the Pechora coal basin, and a deep crisis in the republic's agriculture (last year agricultural production fell 11 percent and farmers from neighboring Kirov Oblast are taking over the market).

The election could go either way at the moment and, so far, the only real loser is Azimov. The elections, of course, are not merely an important political action, but an opportunity to redistribute economic resources. - Yurii Shabaev in Syktykar

GUBERNATORIAL ELECTIONS

NORILSK MAYOR WINS TAIMYR ELECTIONS. Norilsk Mayor Oleg Budargin won the Taimyr Autonomous Okrug gubernatorial elections on 26 January with about 70 percent of the vote. Budargin had the strong support of Krasnoyarsk Governor Aleksandr Khloponin, who served as Taimyr governor until his move to the Krasnoyarsk post in September 2002. Both Budargin and Khloponin were high-level managers at the giant Norilsk Nickel plant.

After his election, Budargin rejected proposals to merge his okrug with Krasnoyarsk Krai. Putin visited the region in March 2002, giving impetus to this idea, but progress halted after former Krasnoyarsk Governor Aleksandr Lebed was killed in a helicopter crash at the end of April.

However, on the day of his inauguration, Budargin met with Khloponin and Evenk Autonomous Okrug Governor Boris Zolotarev to set up a council for the three Krasnoyarsk Krai governors, according to Budargin's press service. The Taimyr and Evenk autonomous okrugs are simultaneously independent regions and constituent parts of the krai. Tyumen Oblast, which also includes two autonomous okrugs as well, already has such a governors' council. The new body will presumably help better coordinate regional policy.

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Russian Regional Report
(Vol. 8, No. 4, 14 March 2003)

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STATE REFORMS

GOVERNORS OPPOSE KOZAK PLANS TO OVERHAUL LOCAL, REGIONAL GOVERNMENT. With the State Duma's 21 February approval of his plans to restructure local government, Deputy Presidential Chief of Staff Dmitrii Kozak has once again confirmed his reputation as one of the best lobbyists in the halls of power. Nevertheless, there is far from a consensus supporting the reform package.

Winning the Duma's support in the first of three readings required unstinting efforts by Kozak himself, and a public statement from President Vladimir Putin that he backed the idea. Even after the State Council, which brings together Putin and the country's 89 governors, formally approved the gist of the reform in October 2002, the Duma vote had to be postponed from December to February to garner sufficient support. Kozak spent the entire fall and winter on an endless "road show," stumping for his reform and seeking out allies. Putin's statement backing the reform at the first meeting of the Council of Regional Legislative Speakers capped the campaign process. At this meeting, the regional legislative chairmen followed the governors in giving the reforms their stamp of approval.

Kozak used a variety of methods in this process of arm-twisting. For example, just before the Committee on Local Government considered the bill, several members loyal to the presidential administration were added to its ranks. Now that the bill has won preliminary approval, Putin hopes to have it adopted by the end of the Duma's spring session. In backing the bill, Putin has argued that Russia no longer has time for demagoguery and empty promises. The fact that Putin has associated himself with local government reform with about one year remaining before the presidential elections suggests that he will work to ensure that this legislation goes through both houses of the federal legislature, despite the strong resistance of the governors.

The final adoption of the laws on the principles of local government and amendments to the law on executive and legislative branch regional political institutions is effectively the final step in Putin's effort to build a hierarchy of power (*vertikal' vlasti*) in Russia, crowning the federal reforms that Putin began in 2000. These reforms de facto subordinate local government into this hierarchy even though formally the Constitution defines it as being separate from the federal and regional levels of government.

The reforms set up a new two-tiered structure for local government and ensure that local officials are elected. The legislation gives local officials specific duties and holds them responsible for carrying out these duties. They will have independent budgets and taxes that will finance expenditures. If local officials fail, they face the prospect of external management of their municipality, an idea that has been discussed frequently in the press recently, but currently lacks a firm legal base for implementation.

Kozak has suggested adopting similar rules for regional governments as well. Under the plan, each level of government (federal, regional, and local) will have clearly defined responsibilities and powers and higher standing governments will not be allowed to intervene in them. In these areas, the higher-level government can only provide framework guidance. However, when a higher standing government transfers funds to a lower-standing government for a specific purpose (from federal to regional or regional to local), it can monitor how the funds are used. If they are used improperly, regional and local officials can temporarily be removed from power. Thus, with the imposition of "external oversight," governors and mayors can effectively be deprived of their authority on account of their economic failures.

For the gubernatorial critics of the reform, the effort to hold mayors responsible for the failure to carry out their duties is one of the main reasons for questioning the constitutionality of the reforms. According to the proposed legislation, a mayor can be fired if he issues an act that violates the law (if a court finds that it is illegal and the transgression is not fixed within two months), abuses human rights, threatens the overall unity of Russia's legal system or market, improperly uses money transferred from the federal or regional level (again, at the court's determination), or commits a number of similar acts. Punishments for the economic transgressions are particularly severe: at the decision of a regional arbitrazh court, higher levels of government can take over local government functions for up to one year if a territory has debts that make up 30 percent of its own sources of income. If a local legislature adopts a law that violates the country's legal norms, a governor can disband it. Thus, the governor will gain new resources to pressure mayors, including the mayors of regional capitals who have long been their political opponents.

However, the governors cannot be happy about these new powers since the federal government will be able to use similar measures against them. In three instances - a natural disaster, indebtedness amounting to more than 30 percent of a region's own revenue, and improper use of money transferred from the federal government - the federal authorities would be in a position to temporarily take away power from regional institutions. The only difference is that in the case of the regions, the Supreme Arbitrazh Court is the one to take the decision, following a complaint filed by the federal government (i.e. the prime minister). It is indicative that in this system, the president does not have to take responsibility for the process of federal intervention. According to Kozak's draft legislation, however, the president can appoint an official to replace the governor with the approval of the Federation Council once the governor is removed.

The proposed legislation presents significant changes in the way the fiscal federalist system works. Each level of government (federal, regional, local) will have its own source of income and the legislation forbids giving any level of government responsibilities without the funding necessary to fulfill those tasks. The authors of the legislation claim that they realize the importance of this principle and therefore the new legislation will come into effect in tandem with changes in the budget and tax codes. (By some estimates, there will have to be changes in up to 240 laws for the new system to be put into place.) However, none of the draft bills say anything concrete about the sources of income for the regional and local governments, a situation which is deeply troubling to the governors and a second major reason for gubernatorial opposition to the reforms. The regional leaders warn that the federal government may assign them the taxes that are difficult to collect and they will not be able to raise the money they need to perform their duties.

According to the previously approved legislative calendar, amendments to make these changes to the budget and tax codes only had to be introduced in September. Now, however, Kozak has said that he will define how the income from all of Russia's taxes will be distributed among the federal, regional, and local budgets by 1 April. So far, Kozak has only said that total sum of regional obligations amounts to 1.349 trillion rubles and said that he is considering four ways of dividing the revenue. Currently a committee composed of representatives of the federal government, presidential administration, and deputies from both parliamentary chambers are working on this issue. The main discussion revolves around how to evenhandedly distribute potential local budget revenue sources (taxes on property, land, small business, and personal income) among all the territories of the country.

A complicating factor is that the government is already trying to figure out how to proceed with tax reform even without taking into account the issue of local government. The tax reforms Putin launched in 2000 have so far produced contradictory results and demand truly colossal resources to take into account the opinions of all sides and bring them into agreement. Simply to reach agreements on how to fix the property tax system took government agencies more than a year.

The Finance Ministry admits that the practice of changing Russia's taxes every year deprives the local governments of any incentive to develop their own economies. However, in private ministry experts point out that "the system the State Council proposed for redistributing taxing and spending power between levels of government is extremely unclear." They think receiving the revenue from taxes on petroleum products,

land, and personal income would be optimal for the regions. These taxes are the most widespread and deriving revenue from them would give the regions the greatest incentives to develop their own economies. In particular, these taxes do not change if an enterprise decides to reregister its main office in another region (a practice often used to avoid paying taxes). Nevertheless, the Finance Ministry admits that these sources of income will not be enough for the regions and it will be necessary to assign them some of the revenue derived from taxes going to the federal government.

Another problem that needs to be addressed is bringing government obligations into line with the resources actually available. In speaking to the regional legislative chairmen, Putin said that they should be realistic in what services they promise that the government will provide. He claimed that now the price tag for responsibilities written into Russian law which are not connected to any funding source total more than 6.5 trillion rubles, more than two times the entire Russian budget. Putin wants to reduce the level of federal benefits to a minimum.

The effort to cut these benefits has roused the opposition of the left. The deputies representing the Communist Party of the Russian Federation, which usually calls for "imposing order" on the governors, all voted against the Kozak reforms.

So far the government has not been able to resolve the question of where to find the money. It has postponed the decision on an overall conception of tax reform from the end of February to the middle of March. Considering federal reform any longer without taking into account the financial consequences is impossible, because doing so would either cause a huge scandal or turn the whole process into a farce. - Pavel Isaev in Moscow

ECONOMIC REFORM

NIZHNII POLITICIANS BATTLE OVER LAND PRICES. The Nizhnii Novgorod governor and legislature are currently locked in a battle over setting land prices for the region. According to the federal legislation on implementing the new land code, each region must set the price for selling land in its territory. The oblast's finance minister, Vadim Sobolev, says that the law is necessary to stimulate the sale of land in the region and create a land market.

In October, the regional legislature, at the governor's initiative, adopted in its first of three readings a bill that valued state-owned land and the buildings located on it at a price equal to 17 times the land tax assessment in the city of Nizhnii Novgorod and 10 times the tax in other parts of the oblast outside of the capital city. Profit from the land sales was to be evenly divided between the federal and regional governments.

However, at the end of 2002, the State Duma adopted an amendment to the law on the federal budget that sent all payments for the land on which federally owned buildings are located to the federal budget. The oblast budget would receive payments for land with oblast buildings on it. In Nizhnii, most of the buildings and other sites are federally owned, so most of the money from the land sales would go to the federal budget. As a result, the position of the deputies changed significantly and they spoke out against the governor's version of the law and set land prices at the lowest rate allowed by the federal legislation: 5 times the land tax in all parts of the oblast, including the city of Nizhnii Novgorod.

Most of the deputies who backed setting the land prices much lower are the heads of industrial and commercial enterprises. They argued that setting the price low was the only way to increase the investment attractiveness of the oblast's large enterprises. Thus Nikolai Pugin (the president of the Gorkii Automobile Factory) and Olga Sysoeva (the head of Etna) stressed that "the flow of investment which enterprises need so badly will make it possible to expand production and therefore increase tax revenues for budgets of all levels." However, a significant number of the deputies who represent business would be in a privileged position compared to other business people. They would be the first buyers. And if they wanted to sell the land later on the open market, the price would be significantly higher.

Chairman of the oblast legislature's Budget Committee Vladimir Ivanov noted that the proceeds of the land sales would all go the federal budget and the regional budget would get practically nothing. Setting the prices as low as possible makes sense from the oblast's point of view since the taxes enterprises pay on their land after the sales would all go into the regional budget.

Nizhnii Novgorod Governor Gennadii Khodyrev does not support low land prices because they would threaten his relationship with the federal government. In particular, the oblast may not receive additional federal support if they are angered by oblast policies. The various rural and urban mayors who are also members of the oblast legislature backed the oblast administration in this question. These officials are dependant on the governor and naturally want to keep control over the situation in their regions.

Ultimately on 14 February, the legislature adopted a bill setting land prices at 5 times the land tax. However, Nizhnii Novgorod Governor Vadim Bulavinov immediately called on the governor to veto the bill, which he did. Bulavinov worried that many kiosks and stores would fall into the hands of owners not registered to live in Nizhnii Novgorod and thereby costing the city the income from this land. According to the economists in the mayor's office, in 2003 the city will lose 150 million rubles from reduced land rents and will have no way to replace these funds.

The governor's veto has created a stalemate: the legislature needs two-thirds support to override the veto, or 30 of the 45 members. In the vote, 24 deputies backed the low land prices and 9 opposed it. Therefore, the two sides must compromise.

Interestingly, Presidential Envoy to the Volga Federal Okrug Sergei Kirienko has said nothing about this situation. Many of the deputy-businessmen who backed the low land prices are considered his allies. - Rustam Bikhmetov in Nizhnii Novgorod

BUSINESS AND POLITICS

BUSINESS DOMINATES KOMI POLITICS. Big business is taking over an increasing number of official positions in Komi politics. The authorities cannot counter this process even though it does not always serve the interests of the republic.

Most recently a subsidiary of the MDM Group, the Siberian company Baikal-ugol, triumphantly announced its control over the extensive Pechora coal basin even though the state has yet to sell its shares in the Vorkutaugol and Intaugol coal companies and Northern Steel (Severstal) owns 15 percent of Vorkutaugol and has a strong interest in this company. However, the MDM Group has, some observers believe, the patronage of Presidential Administration Chief of Staff Aleksandr Voloshin, which apparently give

it the confidence to make such claims. Recently, three former MDM officials became assistants to Komi Governor Vladimir Torlopov, with the clear purpose of lobbying MDM's interests among the regional authorities (see Russian Regional Report, 18 February).

Business representatives also secured numerous seats in the republic's legislature through the 2 March elections. The newspaper *Ekspress-nedelya* (6-12 March) described the results by claiming "we have less of a parliament than another chamber of commerce."

The new parliament will include 15 corporate executives, including Komienergo General Director Mikhail Smekalov, Lukoil-Komi General Director Vladimir Mulyak, Severgazprom General Director Aleksandr Zakharov, and several others. Lukoil chief Mulyak's victory was particularly noteworthy because he defeated the republic's former leader Yurii Spiridonov. The oil giant worked hard to ensure the defeat of Spiridonov, sending in hundreds of campaign advisors, because it has concluded a cooperation agreement with the current republican leader. Spiridonov had opposed Lukoil's operations in the republic and ran his campaign under the slogan "Let Lukoil provide money for the republic." The oil company's propaganda reminded voters that it was responsible for their well-being, securing 57 percent of the vote for its candidate.

The new legislature will not work at a professional level since the corporate executives will not have time to deal with day-to-day legislative activity. Nevertheless, the new membership will be more autonomous of the republic's executive and can play a more independent role, the goal of several ambitious deputies.

Beyond the tidal wave of corporate winners, the biggest sensation though was that 27 percent of the voters marked "against all" on their ballots (one of the official choices in Russia) in an election with 44.1 percent turnout. The elections were invalidated in 6 of the 30 precincts because the number of votes cast for "against all" was higher than for the closest candidate. One of the candidates who failed to overcome this negative tide was the parliament's speaker, Yevgenii Borisov. Only 6 of the 18 incumbents who sought reelection succeeded, including the current deputy speaker, Ivan Kulakov, who is now likely to become the speaker.

Local analysts claimed that voters were dissuaded from voting because the previous members of the State Council merely carried out the governor's orders (*Molodezh severa*, 6 March 2003). However, it was clear that the voters were rebuking all of the republic's leaders, including the governor, though neither the leaders themselves nor the press under their control wanted to admit this trend. Such a reaction cannot be surprising since social and economic conditions in the republic are poor: there is practically no growth, the 2002 budget deficit was 1.2 billion rubles, the coal mines of Inta and Vorkuta are in deep trouble, the agricultural sector is comatose, and Russia's largest companies are dividing up Komi's economy.

Just before the election, Rosneft purchased Severnaya neft, the controversial oil company owned by former Deputy Finance Minister Andrei Vavilov that has the rights to develop the lucrative Val Gamburstev deposit in the Nenets Autonomous Okrug. Vavilov bought these rights for \$7 million, even though others had bid \$100 million for them. Lukoil has been fighting for control of this company, charging that it illegally reduced Lukoil's 50 percent share to 5 percent in 1999. However, in early February the federal arbitrazh court refused to overturn a decision that went against Lukoil. Lukoil cannot

fight Rosneft to gain control of this deposit since Minister for Economic Development and Trade German Gref is the chairman of its board of directors. So, at the end of February, Lukoil President Vagit Alekperov and Rosneft President Sergei Bogdanchikov signed a cooperation agreement in which Lukoil renounced its claims on Severnaya neft.

The arrival of a second large oil company in the republic creates competition for Lukoil, a positive development. However, on the other hand, it threatens the two dozen small and medium-sized oil companies working in the republic (of which Severnaya neft was one). The republican and local authorities have tried to preserve these companies because they pay higher taxes for each ton of oil produced than the giant firms. Most likely, these companies will now be swallowed up by Lukoil and Rosneft. The authorities are not in a position to block these mergers and will likely lose revenue for their already struggling budget.

Finally, on 15 February, the republican authorities signed a cooperation agreement with the Austrian firm Neusiedler (a subsidiary of Anglo American plc, www.neusiedler.com), which had purchased the republic's largest enterprise, the Syktyvkar Forest Enterprise, with the support of former leader Spiridonov's administration. Governor Vladimir Torlopov long questioned the legality of this deal, but simply did not have the resources to win the fight (*Molodozh severa*, 20 February). In exchange for guaranteeing the company's rights to the plant, Neusiedler agreed to invest \$1 million into the republic's key social and economic programs.

In essence, business perpetually has the upper hand in its dealings with the authorities. Big business today determines the rules of the game and the republican authorities work as its lobbyist. Today the MDM group, Lukoil, Rosneft, SUAL, and the Austrian Neusiedler have divided the republic among them. They are clearly political actors. - Yurii Shabaev in Komi

CORRUPTION

SARATOV MINISTER RECEIVES LIGHT SENTENCE FOR BRIBERY. On 21 February the Saratov Oblast court sentenced the oblast's former culture minister Yurii Grishchenko, one of the few high-ranking officials to be convicted on charges of bribery, to two years of incarceration followed by one year in which he is banned from holding any government job. (For the background information on this case, see Russian Regional Report, 18 February.) Many observers thought that the sentence was relatively light. By law, the court should have given him a sentence between 5 and 10 years, followed by a three-year ban from government work. The procurator had sought a sentence of 8 years. Grishchenko's punishment is much less than the minimum provided for by law and he could be released in just over a year.

Several independent observers claimed that the light sentence suggested that Governor Dmitrii Ayatskov had orchestrated the whole affair in order to discipline his team by demonstrating what could happen to any of them, even the highest placed. The demonstratively light sentence for Grishchenko could reflect the opinion of the leaders of Ayatskov's team that Grishchenko's transgressions were relatively minor and that he was simply a scapegoat. Additional evidence for this argument is that by 1 March, the procurator had not protested the sentence.

Grishchenko most likely has put his own version of these events on paper, since he managed to write an as-yet-unpublished book during the three months that he was held in jail before his sentencing. Most likely, he was inspired to pick up his pen by his notorious cell-mate, the writer Eduard Limonov, the leader of the National Bolshevik Party who has famously written numerous books during his imprisonment in Saratov. - Ilya Malyakin in Saratov

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Russian Regional Report
(Vol. 8, No. 5, 8 April 2003)

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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CENTER-PERIPHERY RELATIONS

PUTIN REPLACES CHERKESOV IN NORTHWEST. On 11 March, President Vladimir Putin carried out a major shake-up of his government and closest advisors in the style that has become his trademark: the changes were prepared over a long period of time, carefully hidden, and implemented swiftly. The personnel Putin tapped are all tried and trusted and the restructuring is completely functional. The main thrust of the reforms was to send Presidential Envoy to the Northwest Federal Okrug Viktor Cherkesov back to Moscow as the head of a new agency to fight the drug trade.

When Cherkesov was appointed to the post of envoy in May 2000, he had to start from nothing. His main task was to battle St. Petersburg Governor Vladimir Yakovlev, who had just won a second term, thereby handing the Moscow-based Petersburgers around Putin a humiliating defeat.

Cherkesov faced a number of challenges. The regional press mostly worked in the interests of the governor, and the representatives of the national press did little to counter them. The local opposition parties consistently lost elections as they were divided

between the Yabloko faction and the rightists. The creation of Yedinaya Rossiya, which combined the pro-Kremlin party Yedinstvo and Yakovlev's Vsyaya Rossiya, resembled a bizarre amalgam of the Politburo and the anti-party opposition. The regional elite slowly united around the governor's "family," particularly its businesses in the energy sector and retail trade. Legalized criminal groups, whether "Moscow thieves" or the "Tambov Peter bandits" entered politics and took management positions. At the beginning, even the federal officials working in the city were playing their own games. The head of the local Federal Security Service Aleksandr Grigorev and Cherkesov's first deputy Aleksandr Kuznetsov were both personal friends of Putin, like Cherkesov, and used their connections to act autonomously. At that point, there were even rumors circulating in the city that there was a lack of understanding between Cherkesov and the president.

Cherkesov adopted an elegant and complex set of measures in response. He set up his own well-equipped analytical service, which slowly turned into an effective team. The envoy's analysts determined that the weakest point of Yakovlev's team was the lack of competent legal advisors. In contrast, Cherkesov gathered around himself people with experience as investigators in the procuracy and the KGB. They systematically removed Yakovlev's deputy governors who had controlled the city's financial flows. Other deputy governors or talented bureaucrats were bought off with the offer of brilliant careers in the city administration "after Yakovlev."

Over time, both Grigorev and Kuznetsov were offered positions in Moscow and no longer were able to bother Cherkesov. Part of the city's media began to support Cherkesov and his wife Natalia Chaplina set up a powerful information resource in the form of the Rosbalt news agency, giving Cherkesov a strong media pool.

Cherkesov also set up a network of public reception centers under the name of "Dialog," where citizens could complain about the actions of the authorities. These centers, one of which was set up in each of the city's 50 city legislature's districts, helped unify the actions of the city's legislators in Cherkesov's favor, particularly after most of the incumbent city council members won reelection in the December 2002 elections. Thus, while Yakovlev unsuccessfully lobbied the deputies to change the city charter so that he could run for a third term, Cherkesov arranged for the city's Charter Court to rule against all future attempts to change the city's basic law, thereby forcing Yakovlev out of office at the end of his current term in 2004.

Before the December 2002 city parliament elections, Yabloko and the Union of Right-wing Forces created a unified electoral bloc at Cherkesov's urging. Cherkesov also organized an anti-governor majority in the city legislature by bringing together the centrists, liberals, and communist-patriots.

Everything was done "within the limits of legality," as people like to claim these days, and did not cause problems for the president. Since Cherkesov has accomplished this job, the president has now sent him off to deal with the drug traders. - Daniel Tsygankov, Deputy Dean of the Applied Political Science Department at the Higher Economic School, Moscow, and the author of the Internet site "Petersburgers in Moscow" (piterzy.tsygankov.ru)

TATARSTAN CONTINUES TO DEFEND ITS "SOVEREIGNTY." Tatarstan adopted its constitution on 6 November 1992 and for many years it contained significant violations of the Russian constitution and federal legislation. For two years after the

election of President Putin, the republican elite fought federal attempts to bring this document into line with federal norms.

Only in April 2002 did the republican legislature adopt a new constitution. The new text included numerous references to the Russian constitution and federal laws, something the previous constitution did not have. The republic's new basic law set up a professional parliament and brought provisions dealing with local government into conformity with federal guidelines.

However, the new constitution retained the concept of "sovereignty" (though now it is defined as "limited" or "residual"), republican citizenship, a requirement for the president to speak both Russian and Tatar, and approximately 50 additional violations of federal law.

Thus, in June 2002 Deputy Russian Procurator General Aleksandr Zvyagintsev sent protests to the republican parliament and Supreme Court. Even though it faced the possibility of being disbanded, the republican parliament on 10 September 2002 refused to address the issue of the violations, sending the matter to the republican and Russian constitutional courts. The republican constitutional court is under the control of the republican elite and therefore found no problem with the text.

The republican Supreme Court also rejected Zvyagintsev's complaint. However the Russian Supreme Court on 15 November 2002 overturned the decision of the republican court and ordered it to reconsider the case, accusing the legislature of not implementing earlier federal court orders to rewrite the constitution in line with federal norms.

On 30 and 31 January, the republican Supreme Court heard the case again. Representatives of the republican parliament argued that they had had no intention of ignoring the federal court order, citing the fact that they had made numerous amendments to the constitution. Additionally, they pointed out that of the 133 laws the legislature had adopted in its current session, 67 had been directed toward bringing republican legislation into line with federal norms. The republican Supreme Court accepted this argument and rejected the complaint of the Russian general procurator. There was no further appeal to the Russian Supreme Court and the republican decision went into effect on 3 March 2003.

Thus the procurator general's office dropped this attempt to disband a regional legislature. To date, no legislatures have been disbanded. The republican mass media, reflecting the opinion of the regional elite, expressed its happiness at the outcome. Undoubtedly, Tatarstan's leaders believed that the procurator general did not want to upset the situation in the current political environment in the run-up to the State Duma elections.

However, such celebrations are premature. The new deputy procurator general, Sergei Generalov, has asked the Russian Supreme Court to overturn the decision of the republican Supreme Court. He believes that the Russian court should take a decision that would allow the Russian president to issue a warning to the republican legislature about not implementing a federal court order, a step that would move the legislature closer to being legally disbanded.

Additionally, on 11 March 2003 the republican Supreme Court sent to the Russian Constitutional Court a later complaint from Zvyagintsev seeking to overturn an additional

34 articles of the constitution. The Russian court is expected to respond in April or May and it, most likely, will have the last word. - Sergei A. Sergeev in Kazan

STATE REFORM

SOME REGIONS SEEK TO MERGE, BUT BUSINESS BLOCKS OTHER EFFORTS. Since February 2003, plans to merge regions are moving forward in Perm and Irkutsk, but these efforts are not creating a general movement to combine regions. Despite advocates' claims that such mergers make regions easier to manage and would cut administrative costs, most of the regional elite oppose the idea. Only the powerful regional governors who hope to become leaders of the new larger regions, such as Yaroslavl's Anatolii Lisitsyn and Saratov's Dmitrii Ayatskov, support the creation of fewer, larger regions. Putin's seven presidential envoys also back the idea.

The project that has moved farthest along is in Perm. Perm Governor Yuri Trutnev and Komi-Permyak Autonomous Okrug Governor Gennadii Savelev signed a treaty on creating a new region and the legislatures of both regions have appealed to President Putin for support. Most people on the ground claim the deal is already complete and that it has support from above. A referendum could take place in both regions along with the December 2003 State Duma elections. Unlike the Yamal-Nenets or Khanty-Mansii autonomous okrugs, Komi-Permyak is heavily dependent on subsidies from Moscow for its survival. It is one of the poorest regions in Russia and its residents hope that a future merger will greatly increase their standard of living.

Local politicians are actively using the merger process to pursue their personal interests. For Trutnev, Perm's successful takeover of the okrug will presumably ensure that he has good relations with the federal authorities, who support the merger plans. Additionally, if the two regions are merged, Trutnev will be able to seek two additional terms as the governor of the new region, allowing him to stay in office until 2015.

In Irkutsk, the project is not moving along as well. The local elite, pointing to ethnic and historical traditions, is trying to freeze the project. As an alternative to merging the Ust-Orda Buryat Autonomous Okrug with Irkutsk, there is now a proposal to merge Ust-Orda Buryat with the other Buryat regions - the republic of Buryatia and Agin-Buryat Autonomous Okrug, which has the support of the Buryat ethnic elite.

The governors of western Siberia have demonstrated even more opposition to the idea of merging regions. Tyumen Governor Sergei Sobyenin, Khanty-Mansii Autonomous Okrug Governor Aleksandr Filipenko, and Yamal-Nenets Autonomous Okrug Governor Yuri Neelov made a joint announcement to their constituents squashing rumors that there were plans afoot to remove the autonomous okrugs. The leaders of the three regions said that they had achieved a balance of power and an optimal distribution of financial resources within the framework of the oblast and promised to preserve the status quo in their relations. The leaders of the autonomous okrugs have no interest in merging their regions into the larger oblast. Sobyenin comes from these northern regions and therefore supports their position.

The strongest signal against a merger came from Krasnoyarsk Governor Aleksandr Khloponin, Evenk Autonomous Okrug Governor Boris Zolotarev, and Taimyr Autonomous Okrug Governor Oleg Budargin, who have formed a trilateral council of governors. This council is a step back toward the self-organization of governors that took

place in the formation of the eight interregional associations such as the Siberian Accord during the 1990s and, to some degree, could reduce the power of the seven presidential envoys. The first decision of this council was not to rush with the process of merging regions.

The council's decision essentially amounted to a declaration by the large financial-industrial groups working in Krasnoyarsk (Interros and Yukos) that they did not support the idea of merging regions. For the regional elite, the merger of regions sharply limits their ability to participate in the federal political process (the merged regions would lose their guaranteed member of the State Duma and their two senators in the Federation Council). After a merger, the regional elite would also have weaker position in the distribution of funds between different levels of the budget.

It is particularly indicative that the key opponents are regions that have gone the farthest in creating "corporate regions," where the large financial-industrial groups exert complete control over executive and legislative branches of the regional government. Currently corporate representatives control 6 of the 10 autonomous okrugs, particularly the ones that have the richest resource bases and are the most developed in economic relations. Big business sees its representatives in political office as an additional guarantee of its ability to continue working and efforts to merge regions could create tensions in business-government relations at both the regional and federal levels. The governors have complained that envoys Sergei Kirienko and Konstantin Pulikovskii have run assertive campaigns in support of mergers and have exerted pressure on the regional authorities to combine their regions, thereby violating the legal principle that any mergers be voluntary.

The Kremlin once argued that the main reason for merging regions was to reduce the disbalance between the richest and poorest regions. Now, the president is most interested in municipal reform, which the regional elite oppose. Thus, Deputy Presidential Chief of Staff Dmitrii Kozak, who is in charge of these reforms, said that he is ready to remove some features of the bill on local government currently under discussion in the Duma that would limit the powers of regions with autonomous okrugs embedded in them. The original version of the bill foresaw transferring some rights from the autonomous okrug to the oblast level if they had not previously signed a "horizontal" agreement guaranteeing the independence of the okrug. Before the second reading of the bill, there will be amendments allowing the regions to sign agreements during a transitional period before the law goes into effect.

In the run-up to the State Duma and presidential elections, in which the regional elite will play a large role, Putin may decide that redrawing regional borders, and offending many powerful figures, is counter-productive. Since it seems unlikely that Putin will be able to complete the project of merging regions during his first term, the project is not likely to become relevant again until 2005-2006, when the reform of local government is anticipated to be completed. Until then, discussions of merging regions will only be elements of competing politicians' campaign schemes. - Pavel Isaev in Moscow

CORRUPTION

MARII EL AUTHORITIES SEEK TO BLOCK MUCKRAKING TV

BROADCAST. "This is the first time in one and a half years of work that I met such open and crude pressure on our program," the head of the Russian Television (RTR, Russia's second channel) show "Vesti Nedeli" Yevgenii Revenko said. "We received phone calls from the Marii El leadership and the Federation Council with direct threats to withdraw our program about Marii El." What kind of programming aroused such a response from the authorities?

On 13 February, an RTR team came to the Volga republic of Marii El to prepare a report about the situation surrounding the Marital Russian-Italian joint venture. In the early 1990s, the Italian businessman Gianfranco Bodgino invested in a state factory, which started to produce leather jackets. The factory turned into a relatively stable success. However, it did incur some tax debts because of the seasonal nature of its sales. During warm seasons, tax debts grew, but as soon as it became cold, the jackets sold and the company had enough money to pay its debts. By 2001, the factory had grown to the point where it had found new investors and was ready to expand its activities.

However, at this time Marii El elected Leonid Markelov as its new president and a process of redistributing property in the region began. Markelov's opponents claim that he is using the republican branch of the Federal Bankruptcy Service (FSFO) and the arbitration courts to carry out a number of fictitious bankruptcies. In June 2001, the FSFO took Marital to the arbitration court, declaring it bankrupt for tax debts of 3.2 million rubles. At the time the factory had 13 million rubles worth of jackets that would soon be selling quickly. Clearly the bankruptcy agency wanted to take over the firm rather than straighten out its finances. By the end of 2002, under five different external managers, Marital's debts rose to 22 million rubles.

When Italian Prime Minister Silvio Berlusconi met with Putin in February, he asked the president about the case, giving it international publicity. Putin's answer was not published, but Russian Television picked up the story, pointing out that both Italian and Russian businessmen need relief from the authorities.

In an *Izvestiya* interview (18 February), Journalist Dmitrii Melnikov explained how the authorities pressured his crew. Melnikov said that he had spent the day interviewing bureaucrats "who did not really want to talk to us." Back at their hotel, they were offered the services of prostitutes and then had their documents checked by policemen, who claimed that they were conducting an "anti-terror" campaign. The next day, the police summoned the journalists for questioning because a woman had allegedly filed a complaint that one of the crew members had raped her. The police released Melnikov, but then called his colleagues in for questioning. They made clear that they would do everything to prevent the team's material from going on the air. No formal charges were ever filed. The police officers were merely taking orders from their superiors, who despite being federal agents, are still dependent on the regional authorities. In this case, representatives of the Federation Council, federal bankruptcy service, arbitration court, and police all worked together, creating a unified system of corruption.

Shortly after this scandal, on 6 March, Marital's creditors voted to begin a procedure to sell off the firm in six months. Thus, the authorities were able to achieve their original goal - Abdul Khasanbekov in Ioshkar-Ola

ENERGY ISSUES

ULYANOVSK BACKS OFF LARGE ELECTRICITY PRICE INCREASES. The Ulyanovsk Regional Energy Commission returned to its January decision to raise electricity prices 43 percent and instead only increased them 14 percent, starting 1 April. The initial decision provoked a storm of protest: the oblast procurator filed a claim charging that the commission had not followed proper procedure and numerous local groups took to the streets against the price hike. Marchers included representatives of Yabloko, the Party of Life, Yedinnaya Rossiya, and the local communists.

Deputy Governor Aleksandr Budarin rejected assertions that the pressure of the groups had brought about the price cut at a 27 March press conference, claiming that the governor's office was responsible for the new policy. However, before he had to back down, Governor Vladimir Shamanov strongly supported the price hike, claiming that it was economically justified. Shamanov must have been uncomfortable in this position because it brought him into conflict with President Putin, who strongly denounced the price spike, hoping to avoid such an unpopular move in the run-up to the presidential elections in March 2004. Shamanov was also forcing his own constituents to pay the unpopular higher prices. To understand Shamanov's position, one must look at the history of his relationship with Unified Energy System (EES) chief Anatolii Chubais, The head of Russia's electricity monopoly.

During the gubernatorial elections of 2000, Chubais provided financial support to Shamanov in exchange for a promise that the new governor would appoint an EES representative to the Federation Council. Of course, there are no documents proving this deal, but no one has ever denied repeated assertions of such an agreement in the local press. However, Shamanov broke his pledge and named Aleksandr Kalita, his campaign manager, his Federation Council representative. Analysts believe that the annual energy crises in the oblast are Chubais' revenge.

In order to improve relations with the region's electricity supplier, Shamanov admitted that the oblast owed EES a debt of more than 3 billion rubles, which had accrued to 2000 and which former Governor Yurii Goryachev refused to recognize. In January 2003, Shamanov and Chubais agreed that the oblast would pay back its debts over the next 15 years and that the governor would not protest the price hike. Unless the prices are raised, the Ulyanovsk utility would not have sufficient funds to pay for the fuel required to generate the region's electricity. Now the utility will have to find a different way to generate the necessary revenue. - Sergei Gogin in Ulyanovsk

MEDIA ISSUES

NIZHNII JOURNALISTS, POLITICIANS EXAMINE STATE OF MEDIA, ELECTIONS. A recent Nizhnii Novgorod conference entitled "The Permanent Electoral Campaign: Issues in the Relations between the Media and the Authorities" brought together journalists, political analysts, and public officials for the first time in many years, though representatives of the oblast and city administrations did not join the discussion. The conference reflected the conflictual situation now defining Nizhnii politics.

Perhaps the most striking conclusion from the discussion was the universally skeptical attitude toward the electoral process itself. "I don't know of any positive outcomes from the 2002 elections," O. Noskovaya (NNTV) complained.

A second topic eliciting stormy discussion concerned the large number of voters who cast their ballots "against all." Some interpreted such actions as reflecting the wisdom of the Nizhnii voters, while others saw it calling into question the use of voting as an integral part of Russian democracy. This question has more than just retrospective interest: in the future, any calls to the electorate to vote "against all" will be considered campaign activity and must be financed from a specific candidate's funds. Thus, those seeking to invalidate the elections in the future will have to have an agent running in the campaign working to convince everyone to vote against all, including himself. Russian elections must be repeated if more votes are cast for "against all" than any individual candidate.

A third focus was the exchange of criticism between journalists and authorities. O. Kislitsina, representing the oblast electoral commission, repeated the common assumption that many media representatives engage in illegal activity during the campaign, while M. Shurochkov, representing the staff of Presidential Envoy Sergei Kirienko, sanctioned so-called "prophylactic measures," which the law enforcement agencies use against some journalists.

A. Rezontov (TV Volga) explained what such measures entailed: his television company received two warnings from the procurator on the eve of the mayoral elections forbidding the broadcast of two reports dealing with the elections. The station is still fighting five cases filed by two of the candidates. Many of the participants saw a direct connection between the positions TV Volga took in 2002 and the recent transfer of 49 percent of the shares in this company to Lukoil-Volgnefteprodukt General Director V. Vorobev, who has close ties to Kirienko.

Many conference participants questioned whether the media market in Nizhnii has a future. Professor A. Dakhin compared the media situation to a broken mirror in which each shard reflected a part of the truth, but none was capable of presenting the whole picture. There were various answers to the question of whether someone had broken the mirror (and who) or if it had shattered on its own. Some blamed the federal government: "Does it make sense to trust the machine that broke it?" S. Kocherov asked in pondering whether it would be possible for independent experts to work together with the presidential envoy's staff in the future. Others accused those who employ dirty campaign tricks of forcing the state to behave as a gendarme.

Overall, the gap between the ruling elite in Nizhnii Novgorod and the journalists is growing wider. Against this background, we must reevaluate the thesis popular at the end of 2002 that there was a clear consolidation among Nizhnii political groups. Not everyone in the region agrees that "we are all in the same boat." Many now feel that there are many boats. - Andrei Makarychev in Nizhnii Novgorod

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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

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

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Russian Regional Report
(Vol. 8, No. 6, 23 April 2003)

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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US PROFESSOR IN RUSSIAN DIPLOMATIC OVERTURE

**THE END OF THE SIEGE OF LENINGRAD OR PUTIN AWARDS
CHANCELLOR SCHROEDER HONORARY DEGREE IN ST. PETERSBURG**

By Louise Shelley, Professor and Director of TraCCC

A Sunday e-mail brought an unheralded summons to St. Petersburg. On 6 April the Kremlin decided it needed an academic conference to accompany the awarding of an honorary degree to Chancellor Gerhard Schroeder of Germany. By the following Saturday, a conference of some 50 international participants from 13 countries assembled at the Law Faculty of St. Petersburg State University to address the topic of "Peace, Security and International Law." The conference, organized under the aegis of TraCCC's Russia partners, the St. Petersburg State University Law Faculty and the Institute of State and Law-St. Petersburg branch, along with the Society of International Law, was a memorable event.

The conference combined Tsarist, Soviet and post-Soviet elements. The unprecedented level of mobilization and the effort to turn to the West was reminiscent of the founder of St. Petersburg, Peter the Great. The structure of the event, however, was Soviet in its formality and the absence of give and take. In contrast, the ideas and the freedom of expression was definitely Russia of the post-Soviet period, quite different from the "era of friendship societies."

The Conference Participants

The assembled specialists were mainly in the field of law, but approximately a fifth were in the area of security studies reflecting post 9/11 changes. It was almost an entirely male middle-aged to elderly audience with myself and Celeste Wallander from CSIS being the only women to sit at the table with the heads of state. Those assembled were definitely "friends of Russia." But, there was not a political litmus test determining these friends as in the Soviet period, rather they represented a great diversity of opinion and perspectives. To judge from the backgrounds and the commitment of many at the conference to building the rule of law in Russia, this group was carefully selected. Imagine the order going out from Putin to the conference organizers: "I want those sitting at the table to be committed to building the rule of law in Russia, the cornerstone of future democratization. If we are going to pay for these people to come here, we want people who give of themselves to Russia. I do not want any of those foreign grant guzzlers who make money out of our foreign aid." Clearly, intelligence on foreigners operating in Russia is still very good. Around the table were those who selflessly come to Russia to teach, who work hard to obtain funds to support low-cost exchange programs that develop Russian human capacity in Russia and in their home countries. Some of them are very distinguished scholars, others were there because of their commitment to help during the past decade.

The organizers used an unusually focused approach to invite the desired people. Each of the attendees I met reported that they had been personally phoned by a Russian they are close to informing them that their presence was needed on Saturday in St. Petersburg and they must drop everything to get there. For the Americans, the pitch was, "With the award to Schroeder, we do not feel that we are doing this behind your back. We want you there." To the Germans who failed to grasp the importance of the occasion, appeals were made on the grounds that their president needed his countrymen. It was the closest rapprochement with Germany since the fall of the Berlin Wall. The awarding of the degree to Schroeder, originally timed to coincide with the 300th anniversary of the founding of St. Petersburg, showed appreciation for this symbol of the German state, a country that had once devastated this great city.

The mobilization was effective. My visa was issued in under 24 hours from the initial phone call. Those who could not get their visas on time were met at the airport with the necessary documents. Tickets were reimbursed by noon of the conference day. Such rapidity and efficiency had never been observed by any of us old Russia specialists in a life's experience.

The Conference Substance

Presidents Putin and Chirac and Chancellor Schroeder sat down and gave their lectures, listened and gave comments as discussants for the first two and a half hours of the conference. The focus of the three heads of state was on the need for broad engagement by the United Nations in the period of reconstruction following the Iraq war. Much attention was paid to the violation of international law by the U.S.-British led invasion of Iraq. The focus on what should follow was uppermost on people's minds. The

speeches and comments of Putin, Schroeder and Chirac seemed more moderate than the public heard in the weeks leading up to the war. It was as if they had, to a certain extent, accepted the limits of their power and their inability to stop processes that had been set in motion following the defeat of Saddam Hussein. For the Russians, there was clearly an eagerness to build bridges to the Americans and the Brits. All this session went under the intense scrutiny of the international media.

After the leaders left, the focus of the conference shifted. There was more attention to security issues writ large. I addressed the transnational crime problems that would follow the military action. The looting of the Iraqi national museum was a prelude to the increased trafficking in people, drugs and other illicit commodities. Privatization of the former state security apparatus to organized crime was a phenomenon familiar to former socialist states. These problems could be addressed only by sustained multilateral engagement such as TraCCC has with Russia.

Although there was unsurprisingly no mention of Chechnya in the conference, Russians were not immune to criticism of their own policies. One of the elderly Russian international lawyers wryly commented that the problem of violating international legal norms is not unique to the United States. Russia has done this herself in the past. Such a comment in this forum reveals a remarkable change in the legal profession and a confidence among Russian lawyers that they can express themselves in such a way in an event hosted by the president.

In 1975 I was expelled from the Soviet Union for "associating with anti-Soviet elements who had been arrested." It took me 13 years before I was allowed back in the USSR. Twenty-eight years later I was a guest of the Russian presidential administration. I have not changed except for the odd wrinkle. In the 1970s, I was opposed to authoritarianism and at the present time, I am opposed to the authoritarianism of organized crime and discussed the need to address the problem while respecting human rights. This change in my status is evidence of how much Russia must have changed in the past decades in its effort to democratize and promote freer intellectual exchange and the rule of law. After the meeting, it was clear that the present government appreciates people who promote the rule of law as difficult and elusive as it is for Russia to make this transition to a more democratic society. Is Russia coming out of the clouds?

For photos of the conference, see
http://www.jurfak.spb.ru/history/photo_album/default.asp?eID=81

ORPHANS

PERM CIVIC CHAMBER SUCCESSFULLY RESHAPES OBLAST POLICY.

During the November 2001 Civic Forum meeting in Moscow, Russian non-governmental organizations had a chance to make the authorities aware of the problems children face in Russia. Soon the president began speaking about this issue, and following his lead, numerous lower-level government bureaucrats joined in as well. One figure reveals the extent of the problem: there are 700,000 orphans or children living without parental care in Russia, according to official data. Unfortunately, officials from the president down dealt with the problem in the old way: issuing orders to their subordinates to make a

greater effort to find the orphans and give more money to orphanages. Little has changed since the time of Felix Dzerzhinsky.

The Perm Civic Chamber (PGP), one of the region's strongest NGOs, decided to try to influence the authorities to implement a new approach to dealing with this problem, starting from their base in the Perm region. The group's idea was to conduct independent research, develop a new way to help the orphans, and convince the oblast administration of its effectiveness. The group carried out this work using its own resources and those of the Moscow Public Science Foundation.

The PGP found that even in Perm, which is one of Russia's wealthier regions, the ranks of orphans are continuing to grow. The number of children raised in orphanages and boarding schools is also growing. Every year, about one third of the orphaned children are housed in orphanages. At the same time, the number of children being sought by the authorities has grown 60 percent in the last three years. Additionally, the number of derelict parents grew 44 percent between 1999 and 2001.

PGP experts blame these conditions on the region's continuing reliance on old ways of dealing with orphans. Administrative, financial, legal, personnel, and politico-ideological systems remain unchanged. Most troubling, there are essentially no real preventive policies. As in the past, the main government response to dealing with orphans is to send them to an orphanage. These institutions are mostly concerned with giving a child food, clothing, and shelter. Such orphanages do not provide the children with the education they need to survive in the real world. Once they leave the orphanage, graduates often end up in prison after joining criminal gangs or surviving on the streets among the homeless. Experts estimate that after ten years, no more than 10 to 20 percent of the graduates are leading a normal life, while the rest are either dead or in prison.

The PGP came to the conclusion that it is necessary to dramatically change state policy on orphans, switching from a system based on orphanages to family-centered solutions.

On the basis of its research, the PGP developed a model reform for a regional system designed to protect society from the problems caused by orphanages. Like a handful of other regions, Perm has long experimented with alternative forms of taking care of orphans. Perm built the first 13 family orphanages in 1989. Despite the many problems with this initial model, the experience paved the way for further experimentation. In 1996, the oblast adopted a law on foster (*priyemnye*) families. By the beginning of 2002, there were 126 foster families taking care of 398 children. These families receive special state support to pay for the education of the orphans they take in.

In 1998 Perm created some of the first *patronatnyi* families in the Russian provinces. In this case, one of the parents, usually the mother, becomes an employee of the orphanage, but the child continues to live at home. According to this arrangement, the mother receives a salary plus some help in supporting her child. The employees of the orphanage strictly monitor the child's progress. Now there are 160 such families educating 500 children. Despite some successes in the use of this system, only about 10 percent of orphans live in patronatnyi homes.

An expert council chaired by Perm Deputy Governor Tatyana Margolina studied the plan presented by the PGP. The administration's specialists were amazed at the depth of the plan's proposals. Among the most convincing arguments for administration

officials was that housing an orphan with a family cost only half as much as supporting a child in an orphanage.

The PGP achieved its goal. The oblast administration adopted the group's model as the basis for reform and invited the PGP to cooperate in further developments and implementation.

Thanks to the political will of the oblast leadership, work is already under way and there are considerable grounds to think that the plan will be successful. There is now a community of specialists and administrators, a reasonably good legislative base, positive results from early intervention, a good atmosphere for experimentation, and a civic organization prepared to work with the authorities in dealing with these problems. - Andrei Suslov in Perm

CENTER-PERIPHERY RELATIONS

CRITICAL MATVIENKO DISAPPOINTS KOMI EXPECTATIONS FOR AID.

Recently appointed Presidential Envoy to the Northwest Federal Okrug Valentina Matvienko made her first trip in her new capacity to the Komi Republic. Komi leaders thought that Matvienko was coming because of the region's extensive resource base and because Matvienko is well acquainted with Komi's leader Vladimir Torlopov. On an interview with local television, Torlopov had said that he planned to use his relationship with Matvienko to lobby for financial support from the federal government.

However, immediately upon exiting her airplane, Matvienko set a tone that the local leadership did not expect. She said that the economic and social situation in Komi causes the "greatest concern among the regions of the Northwest Federal Okrug." She made clear that she did not plan to be a "fixer" (*tolkach*) in solving the republic's problems. She expressed concern about Komi's extensive wage arrears (which continue to grow). She also stressed the need to battle corruption. She noted that the current republican leadership had inherited a difficult legacy and that "corruption and embezzlement had reached a threatening size." She demanded that strict measures be taken against corrupt officials and law enforcement agents.

Matvienko expressed serious concerns about the situation in the Pechora Coal Basin. She noted that the 1995-2005 program to relocate residents from this northern area to the south had only been implemented 10-15 percent. Additionally, the coal sector had not been overhauled, forcing it into a critical situation today. The envoy blamed the situation on the previous republican leadership, but said that further money for relocating residents would only be disbursed after a comprehensive audit examining how funds distributed earlier had been used. Matvienko indicated that the republic should use its own resources to assist the coal miners and address other problems. She claimed that fully using this potential would increase the republic's budget by 50 percent after a year.

Deputy Governor Nikolai Levitskii said that the republic had developed a budget to stimulate the local economy, but complained that the federal government was now taking too great a share of the republic's revenues. In 1998, Moscow took only 25 percent of the republic's tax income and 75 percent went to the republican and local governments. In 2003, the federal government took 58 percent, leaving only 42 percent for the republican and local governments. He claimed that the Finance Ministry had incorrectly

calculated the republic's tax base, erroneously adding in the oil income generated in the Nenets Autonomous Okrug, for example.

The republic requested 1.8 billion rubles from the federal government to cover the budget deficits in the coal mining cities of Inta and Vorkuta. To erase this deficit, the republic claims that it needs 15-18 billion rubles over the next three years to relocate almost 100,000 residents. In this context, Levitskii asked Matvienko for help in securing 3 billion rubles this year from the State Construction Committee, the Economics Ministry, and the Energy Ministry. This sum would pay for the transfer of 15,000 individuals. The republic promised to pay for moving an additional 10,000 (*Respublika*, 11 April).

Matvienko made clear, however, that the prospects for receiving these funds were slim. Moreover, the republic does not have the money to pay for moving the 10,000 individuals that it promised to move. The republic's 2002 budget had a deficit of more than 1.2 billion rubles, with only 88.2 percent of the expected revenue coming in. The situation with the 2003 budget is even more difficult (*Molodezh severa*, 10 April). The republican legislature is planning to adopt a revised version soon. Beyond wage arrears, debts are also growing in republican payments for the housing sector. The day after Matvienko left, republican authorities announced that they were increasing the share of housing costs that the population pays to 90 percent of the overall cost. These higher expenses will naturally increase the level of social tension in the republic, with inevitable electoral consequences. In the March 2003 republican legislative elections, 27 percent of the voters marked their ballots "against all" candidates, and the number of protest votes might be even higher in the December State Duma elections.

Matvienko commented on the negative results of the March elections and said that the republican leadership and the representatives of federal agencies in the region had a common task in preparing for the upcoming Russian parliamentary and presidential elections. She wants the regional elite to ensure that they take place in conditions of social and economic stability (*Respublika*, 10 April).

Clearly, Matvienko meant the visit to showcase the federal government's intent to demonstrate the regional authorities' dereliction of duties and thereby increase the president's popularity. The envoy promised to return in a year. If there is no social and economic progress in that time (which seems likely), then the next visit could be extremely unpleasant for the republic's current elite. - Yuri Shabaev in Syktyvkar

GUBERNATORIAL ELECTIONS

2003 MARKS THIRD CYCLE OF REGIONAL ELECTIONS. This year Russia is heading into its third cycle of gubernatorial elections. In 2003, the 11 regions that held their first elections in 1995 "as an experiment" granted by the Yeltsin administration will again elect a regional executive. Other regions with elections this year include Magadan, Taimyr and Mordovia (where elections have already passed), Leningrad Oblast and Karachaevo-Cherkesiya. These elections will present a real test of Putin's regional policies.

Russia is already deep into the electoral campaign for the federal parliament. However, despite President Vladimir Putin's stably high popularity rating, attempts to build the United Russia political party into an organization that could guarantee the

president a solid majority in the lower house of the parliament have failed. The presidential administration's efforts to use its vast administrative and informational resources have not garnered the support of a stable majority within the population. The putative "party of power" is losing popularity to the left opposition, which is actively using criticism of Putin's foreign policy and the lack of organization within the ranks of United Russia to push forward its campaign. The left is now more energetically criticizing the president and, for the first time since Yeltsin's resignation, has called for Putin to step down.

A leftist victory in the State Duma elections would be an extremely unpleasant outcome for the presidential administration and the prospect of such an event is forcing it to seek the support of allies, including among the regional elite, who traditionally have a strong influence on the outcome of elections in the single-member districts. Another factor that is encouraging the presidential administration to take a more conciliatory attitude to the regional elite is the fact that the opposition is paying considerable attention to it. Boris Berezovsky, for example, speaks of the regional opposition as one of his main electoral resources.

The groups within the presidential administration advising Putin not to take a confrontational approach toward the governors in order to avoid destabilizing the situation now have the upper hand. The result of this change has been the adoption of a new line toward even the most oppositional governors, like Sverdlovsk's Eduard Rossel and Bashkortostan's Murtaza Rakhimov. Both regional leaders, who earlier seemed to be likely targets of a Kremlin effort to remove them, now seem to have won a softening of the Kremlin campaign against them by strongly supporting United Russia in their regions. Rossel heavily advertised his agreement to work with the local branch of the pro-Putin party, which is headed by the director of the Nizhnii Tagil Metallurgical Combine, Sergei Nosov, who until recently appeared likely to oppose Rossel in the upcoming gubernatorial election. Rakhimov made an advance payment by helping United Russia to secure an unprecedented 120 seats in the republican legislature, leaving less than 9 for the opposition.

Putin has gone even farther in his approach to Chechnya, which could be one of the most difficult issues for the Kremlin in the parliamentary and presidential elections. He promised to give the rebellious republic "wide autonomy" and sign a power-sharing treaty with it. Thus, for the first time, the president has expressed a readiness to back off of his stated policy of renouncing treaties signed between the federal government and regions. Most likely, the other regional leaders will understand why Putin made this concession and it will not increase separatist tendencies. Moreover, Putin has retained the right to remove the Chechen president by decree if necessary. Nevertheless, the regional elite will not forget this concession.

Of course, the policy of concessions does not extend to all regions. The Kremlin exerted unrelenting pressure on St. Petersburg Governor Vladimir Yakovlev, and he recently gave up hopes for a third term. However, Yakovlev remains powerful enough in the city that he may be able to nominate a candidate to follow him and have a reasonable chance of winning. The main task of the president's new envoy in the Northwest, Valentina Matvienko, is to find a compromise candidate who would be acceptable to all sides.

The position of various business groups will have a significant influence on the upcoming regional elections as these groups are becoming increasingly involved in regional executive and legislative elections. In Sverdlovsk Oblast, for example, key players will include Yevrazkholding, Iskander Makhmudov's UGMK, SUAL, MDM Group, Sibneft, TNK, Gazprom, Itera, the Pervouralskii New Pipe Factory, and others. Generally, the oligarchs have good relations with governors (for example, Severstal and Vyacheslav Pozgalev in Vologda, Sibneft and Leonid Polezhaev in Omsk, Yukos and Viktor Kress in Tomsk and Leonid Markelov in Marii El, and Norilsk Nickel in Taimyr and Krasnoyarsk Krai).

However, in a number of regions, big business could try to replace the governor. In Novosibirsk, SUAL and the Alfa Group are working together to remove Governor Viktor Tolokonskii, who is blocking their efforts to take over the Novosibirsk Electrode Factory. The governor also has difficult relations with the electricity monopoly Unified Energy System due to its struggle to gain control of Novosibirskenergo. In Yaroslavl, the recent redistribution of property has shaken up the balance of power among the economic elite. For example, the privatization of Slavneft made the region important to Roman Abramovich's group and the local turbine factory is now in the hands of Oleg Deripaska. Additionally, TNK maintains a stake in Slavneft, Gazprom is also a player, as is SIBUR, which owns the important Yaroslavl Tire Factory. These firms have yet to make clear their positions in the gubernatorial election. As a result, Governor Anatolii Lisitsyn must establish ties with almost all of the Moscow-based big businesses, otherwise some of them may set up an opposition to him. Yaroslavl Mayor Viktor Volonchunas is a threat since he is very popular and about half of oblast's voters live in the city of Yaroslavl.

Major and minor oligarchs could also intervene in the Leningrad Oblast elections, though the chances that Governor Valerii Serdyukov will win another term remain high. Numerous corporations have interests in the region, and the number of groups involved continues to grow as Leningrad develops its export-oriented port complex. Joining the long-standing Surgutneftegaz, are newcomers like the MDM Group and SUAL, which recently acquired the aluminum industry in the region. It is also possible that St. Petersburg's Yakovlev will play a role in the oblast. The confluence of economic interests in Leningrad could make this one of the most interesting and complicated elections yet. - Pavel Isaev in Moscow

TVER GOVERNOR FACES OFF AGAINST COMMUNIST. Tver Oblast will elect its governor in December and the field is gradually taking shape. The two main candidates will be incumbent Vladimir Platov and Tatyana Astrakhankina, a State Duma deputy who is also a member of the Communist Party of the Russian Federation's Central Committee.

Platov announced his candidacy at a meeting of the oblast's mayors (*Veche Tveri*, 1 April). The choice of this venue was well planned since the mayors have a considerable impact on the gubernatorial vote. In the last election, the voters of Konakov, Bezhets, Vyshnevolots, and Torzhok raions, all important sources of revenue for the oblast, voted against Platov.

Until the beginning of April, the governor had been fighting with Tver Mayor Aleksandr Belousov, who died unexpectedly two weeks ago. The governor accused Belousov of destroying the city economy and had even threatened to fire him. Before his

death, the mayor claimed that the governor had redirected too much of the city's money to the oblast budget and was threatening to run for governor himself, though it was clear that most residents of the city would not vote for him without hot water, heat in their apartments, and clean streets. The battle for the city of Tver will be extremely important since it controls enough votes to block any candidate. An unexpected mayoral election will complicate the situation even more.

Astrakhankina, as one would expect from a popular tribune, announced her candidacy at a rally critical of the regional administration's policies held just outside the Legislative Assembly. Astrakhankina's criticism is a powerful weapon since she is a member of the national parliament and able to distance herself from the policies of the oblast administration. She recently used her Duma platform to raise the question of corruption within the Tver region. She hopes to win the campaign by focusing on the legal violations of high-level bureaucrats.

So far the two main candidates are hurling accusations against each other in a relatively amorphous political situation that will only take more concrete shape once other candidates join the race. - Boris Goubman in Tver

BUSINESS AND POLITICS

PRO-GOVERNOR BUSINESS GROUPS DOMINATE ROSTOV LEGISLATURE.

A strong majority loyal to Rostov Governor Vladimir Chub won the 30 March elections to the region's legislature. Only 19 of the 45 current members had served in the last session.

In contrast to the elections of 1998, the candidates chose to focus on their business acumen and personal qualities, while generally failing to mention their support for one or another political party (except in the case of the Communists). Most of the candidates above all sought to identify themselves with President Putin and his ideology.

The oblast administration, which is simultaneously the head of the Rostov branch of the pro-Kremlin United Russia party, now has the ability to determine who will be a member of that party's legislative faction. In fact, it now has a strong voice in determining the membership of all political parties. Thus Deputy Oleg Boyarkin, who is a member of the Union of Rightwing Forces' (SPS) political council, said that he would only remain in that party if the oblast leadership agreed to it.

Business dominates the new legislature since 24 of the deputies are simultaneously the heads of major production enterprises in Rostov Oblast. Among the key members are Donskoi Tabak's Ivan Savvidi and his first deputy Sergei Ponomarenko, Rostovgazoapparat's Ferdinand Khachatryan, Advisor to the Rostselmash General Director Anatolii Mityukhin, Rostvertol's Boris Slyusar, Rostvoblgaz's Vladimir Drepin, and several more. These businessmen control extensive financial flows and are closely allied with the Rostov Oblast administration. Additionally, several bankers are now members of the legislature. This legislature will not cause any surprises for the governor.

Of the Moscow-based big business groups active in the region, only Novoe sodruzhestvo, which controls Rostselmash, won the election of a representative to the Legislative Assembly. The rest of the members represent Rostov business and are closely connected with and, in many ways, dependent on the governor. The poor representation of these financial-industrial groups reflects the failure of the presidential envoy to the

Southern Federal District's staff to play an important role in the campaign. Earlier, the envoy had intervened actively in the battle surrounding the Tagmet metal factory, coming into conflict with the oblast administration. Now, however, the envoy is powerless to intervene in oblast politics because he failed to secure any access to financial flows from the federal government or to take over tax revenues controlled by the oblast administration.

The elections also demonstrated the complete bankruptcy of the Rostov branch of the Communist Party. The Communist party leadership had hoped that the governor would not block their election of 4-5 members after they had removed Leonid Ivanchenko, whom the governor despised, from the party's top ranks and blocked the rise of State Duma Deputy Nikolai Kolomeitsev. But these hopes were not realized. The Communists only elected one candidate, down from two in the previous session. The Communists are now in a deep crisis, lacking a charismatic leader who could overcome the governor's access to administrative resources and capable of organizing the party ranks for effective action.

Having quelled opposition from the Taganrog elite, Chub now has the benefit of a loyal legislature. However, the Rostov business members will only maintain their loyalty as long as the governor does not intervene into their affairs. The political situation in the region now seems stable, at least until the next gubernatorial elections. The regional elite will present a united front in the upcoming federal parliamentary and presidential elections since there are no significant issues dividing them. - Aleksandr Krasnov in Rostov-na-Donu

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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.

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COMMENTS AND QUESTIONS

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

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Russian Regional Report
(Vol. 8, No. 7, 7 May 2003)

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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CONTRACT KILLINGS

PROPERTY REDISTRIBUTIONS LEAD TO SHOOTINGS

(Interview with Professor Vitalii Nomokonov, the head of the TraCCC office in Vladivostok.)

Nomokonov: Strictly speaking our legislation does not contain the term "contract killing." Article 105 of the Criminal Code assigns responsibility for murder, including murder for hire. But the Interior Ministry does not keep track of such data. This is strange because we should monitor this phenomenon.

What exactly do we mean by "contract" killing besides when someone hires an assassin and pays him money? What about murders connected with criminal settlements of account or the division of influence within criminal structures? In such cases, there is no contract. There is an order to a member of one group to "deal with" the members of another group. This is not exactly a contract killing, but for us criminologists, and ordinary citizens as well, there is no difference. The murder occurred not because of some personal hatred, but as the result of a redivision of spheres of influence. And, no less importantly, professionals carried out the murder.

If we combine all these murders with contract killings strictly defined, then the total sum is much larger than the official count. For example, according to our data there were 19 contract killings in Primorskii Krai in 1997, 20 in 1998, 15 in 1999, 17 in 2000, 19 in 2001, and 30 in 2002 (twice as many as counted by the krai procurator). The trend

line is clearly growing. If you count from the time that the new governor took office (June 2001), the total is 40 contract killings.

Question: Is the election of the governor simply a convenient marker or does it have more significance?

Nomokonov: The ascension to power of a new leader (regardless of who it is) always results in the redistribution of spheres of influence in the criminal world.

Question: Excuse me! We did not elect a new godfather, but a public official! Why are there criminal battles?

Nomokonov: The governor controls colossal financial flows, and a new person in this post always means a redistribution of these resources. Take the recent murder of the rector of the Far Eastern Fishing Industry University (Dalrybvtuz) Yevgenii Krasnov. The investigation continues, but it was clear that the newly appointed rector tried to redirect the university's financial flows, seeking to reorganize the income from the firms renting space in the university. Naturally, some people did not like this. The same thing is happening at all levels of power - as soon as you start talking about redistributing finances, you are affecting someone's interests.

Question: Does this mean Primorskii Krai Governor Sergei Darkin is at risk?

Nomokonov: Absolutely. It is well known that Darkin's reputation is not irreproachable, but I repeat, regardless of who occupies this spot, the redistribution of financial resources is inevitable. Take the recent murder of the Magadan governor. He was very strict in his financial policy concerning the region's gold, fish, and vodka. And, undoubtedly, someone did not like what he was doing. This is a sad fact: as soon as there is a possibility of making superprofits, the value of human life drops to kopecks.

... It is well known that many public policy decisions are taken behind closed doors, including those with serious financial consequences. If the mechanism for adopting such decisions were transparent, our murder statistics would be much more modest.

Question: Does the new membership of the Krai Duma impact these statistics? The deputies, most of whom have done well financially, should guarantee "transparency" and publicity in adopting decisions important to the kraï.

Nomokonov: It seems to me that the situation has only deteriorated. The great influx into the Duma of representatives of big business noticeably increased the intensity of the battle to redistribute spheres of influence. Overall, nobody opposes the decision of "business people" to enter politics. However, only a handful of them can withstand the temptation to use this power in their personal (or corporate) interests.

Question: Does it seem strange that we started talking about organized crime, criminal turf wars, hired killers, and wound up discussing our elected public officials? Did we mix them up?

Nomokonov: Research and life shows that with increasing frequency our publicly elected officials do not represent the interests of those who voted for them. Rather they protect the interests of whoever financed their campaign or put them up to running. ...

Question: What is the main issue: personalities or the system?

Nomokonov: The system. If legislation allows people with criminal convictions to run for public office, if economic policy encourages it, the criminalization of our life is a logical result. Additionally, the problem is the absence of an "iron hand" and a strong political will, which seeks to impose order at all levels from the regions to the center. Under the previous president we witnessed a clear disintegration of the state. The new president stopped the disintegration, but no more! The state did not become strong. There is no clear policy to prosecute organized crime or root out corruption.

Question: The lack of a policy is also a policy.

Nomokonov: I don't rule that out. I don't understand why the Regional Departments for Combating Organized Crime (RUBOP) were eliminated one year ago. I think that this reflects the short-sightedness of the politicians. RUBOP offices concentrated an enormous amount of operational information. Priceless databases were destroyed according to the media reports. One of the representatives of the power ministries (*siloviki*) at the okrug level said "why do we need this dump?" and gave the command to liquidate everything. I do not exclude that this move was connected with the new Interior Minister Boris Gryzlov. He is not a professional and I am sure that they simply tricked him by submitting a document that benefited the criminals for his signature. This decision was implemented with enviable speed.

Question: What about our local law enforcement? They give the impression that all they do is register facts and collect statistical information.

Nomokonov: If only. A year has passed and there is no analysis of the situation. Everyone has become used to daily information updates, but what happened in the krai or the country during the last year? What are the trends? Official statistics describe a drop in registered crimes in the country and krai of 15 and 17 percent, respectively, including murders (4 and 1.7 percent). But, can you believe such statistics if people are increasingly afraid for their security? If tension is growing and stratification is deepening?

Look at what is happening with contract killings. If you look at the last five years in Primorskii Krai, by our evaluation, businessmen made up 37 percent of the victims in 1997, but 90 percent in 2002. The strengthening of the profit motive in crime is obvious. Vladivostok is the leading city for such crimes in the krai. In 1997, 84 percent of the krai's contract killings were committed there. In 2002, however, the krai capital did not have such a commanding lead, with "only" 57 percent of the contract killings, while Nakhodka is becoming increasingly important, with 20 percent of the killings.

If you analyze the data carefully, it is clear that the peaks of the murders correspond with active periods of redistributing property in the regions. But today nobody, neither the authorities nor the law enforcement agencies, is interested in a serious analysis of the criminal situation. Many of the law enforcement agencies are corrupt. No one is surprised by this. In Vladivostok, several raion offices of the Interior Ministry have recently renovated their offices leading one to question where such poor public employees found the necessary capital. It is clear that they have "authoritative sponsors." I am convinced that the law enforcement agencies should be independent, especially financially.

Question: What is your prediction for the future?

Nomokonov: ... In Vladivostok, the conflict between the two most influential groups will continue. Two assassination attempts last year against very authoritative "businessmen" (both survived) show that they still have yet to settle their differences. As for Russia, our failures in combating crime suggests that the most dangerous types of crime will continue to rise, including economic crimes, the drug trade, etc. I wish that I was mistaken, but...

We still are giving little thought to an extremely serious problem, which we will confront in the near future. In Russia and Primorskii Krai, in particular, an entire army of homeless children is growing up. For the time being, they are hiding in basements and sewer pipes and ask grown ups for crumbs. Soon they will grow up and will go out on the street looking for a way to feed themselves. Believe me, they will not be involved in honest business or "socially useful" work. They have nothing to lose. What about us?

Question: To finish our conversation, do you see even a flicker of light at the end of the tunnel?

Nomokonov: We have no choice but to overcome the situation. We face a threatening alternative: either everything in the country will be stolen and it will collapse under criminal pressure or we will finally drive the criminals into a legal pen. This is a question of national security, life and death for all of us. The self-preservation instinct should work.

(This interview first appeared in *MK vo Vladivostoke*.)

KILLER OF SAKHALIN BORDER GUARD HEAD MURDERED. During his April visit to Uzhno-Sakhalinsk, Interior Minister Boris Gryzlov confirmed that Vasili Naumov, better known by his nickname Yakut, had ordered the assassination of Major General Vitalii Gamov, the head of the Sakhalin border guard on 21 May 2002. This murder received extensive attention one year ago because Gamov was felled shortly after he had tried to crack down on fish poachers who work in Russian waters and sell their catch in Japan. The catch is worth billions of dollars. However, it will be impossible to bring Yakut to justice since he was killed in Korea on 18 April.

In carrying out Gamov's murder, the assassins threw flammable liquids into his apartment and he died as a result of burns received during the conflagration. The authorities have identified five individuals who played a direct role in the murder, four of whom have been captured and one is still being sought. In examining the stairway that leads to Gamov's house, investigators found traces of paint identical to the paint that covers the facade in front building where Yakut's company "Region" is located.

According to unofficial sources, before he died, Gamov said that one potential reason for his assassination was his role in the arrest of the fishing boat Amga. The border guard managed to catch the boat with a load of illegal fish on board. Gamov had personally arranged for fining the company and had initiated court proceedings to confiscate the boat. The Amga was part of Yakut's fleet.

Yakut was one of the most powerful criminals in the Far East. He was one of five Far Eastern thieves-in-law. Experts believed that he controlled all of the region's illegal fish catch. The total sum of that market is \$3 billion a year.

Yakut gained national prominence in Russia when he unsuccessfully tried to recapture the fishing boat Tulun. The event attracted the attention of the Russian president and apparently was part of the battle for control over the region's assets now underway between former Governor Yevgenii Nazdratenko and current Governor Sergei Darkin (see Russian Regional Report 12 December 2002).

Born in 1949, Yakut eventually became the co-owner of one of the Far East's shipping bases and controlled no less than 20 ships. Having asserted his authority over Sakhalin's criminal world, in 1998 he came into conflict with the now deceased "Jam," head of the Obshchak crime group, based in Komsomolsk-na-Amure. During a shootout on 13 May 1998, Yakut was wounded and went to Germany for treatment. Later, he moved to Japan, where he set up a new base of operations. From his office there, he monitored the distribution of illegally caught fish. The Russian authorities tried to lure him back to Russia, but he stayed in Japan and the Japanese authorities did not make any moves to deport him.

However, on 15 June 2001, Yakut's enemies attacked his office. While Yakut survived the attack, the assailants shot one of his deputies and wounded two Ukrainian office assistants. This violence attracted Japanese attention to Yakut's activities and in May 2002, they refused to extend his visa when it came due.

At that point, Yakut moved to Korea. Russian law enforcement authorities believe that he took with him almost the entire pirate fleet, which is stealing Russia's marine resources.

While Yakut was living abroad, he began to lose his grip over the criminal life of Sakhalin. His former ally in Russia decided that he could betray his boss and take power for himself, judging that Yakut could not return to Russia without facing arrest. Region General Director Aleksandr Bronnikov joined in the mutiny and they began to put their own people in control of Yakut's ships, including the Tulun. After successfully grabbing that boat (in November 2002), Yakut's opponents captured more of his ships, though with less publicity. Ultimately, unidentified assailants succeeded in killing Yakut in Korea.

With Yakut's murder, many experts believe that the criminal authorities will begin to redistribute power within the criminal world of the Far East. This battle will naturally include more attacks and shootings. Already the main suspect in the murder of Gamov has been eliminated.

THE STATIST PERSPECTIVE

CHECHNYA IN THE CONTEXT OF RUSSIAN FEDERALISM

By Sergei Markedonov, Head, Ethnic Studies Group, Institute for Political and Military Analysis, Ph.D in History

Observers rarely examine the situation in Chechnya in the context of Russian regional policy, a fact that impoverishes the analysis of what is going on in that rebellious republic. Without argument, Chechnya is the most difficult region in the Russian Federation and deserves special attention. Nevertheless, the Chechen question is only one of many difficult issues facing Russian regionalism.

Upon becoming president, Vladimir Putin had to address such problems as the lack of a unified legal space, particularism at the regional level, and a system of authoritative regional regimes. These problems created a dilemma for Putin: he could either use his extensive popularity, which far exceeded that of his predecessor, to implement a policy of unifying Russia's legal space and overcoming the "appanage principality" federalism, thereby strengthening the vertical of authority, or focus on political pragmatism and, while keeping an eye on the upcoming presidential elections, largely leave the regional elite alone.

Future historians of the Putin era will likely divide it into two periods: the period of strengthening authority (*vertikal vlasti*) and the "post-vertical" period. The dividing line between these periods is the 9 July 2002 Constitutional Court ruling that allowed governors to seek a third term. Hoping to avoid a conflict with the powerful regional elite on the eve of the 2003-2004 electoral cycle, Putin demonstrated that his own conflict-free reelection was his top priority, while reforming Russian federalism had lower standing.

Putin's "Chechen policy" is now evolving within the logical framework of the "post-vertical" period. Here the accent is on political expediency and legal particularism. The president has declared that Chechnya is a special case, which necessarily must have rules different than those for the other regions. Both Putin and other members of the Kremlin administration are now talking about giving the republic "the widest possible autonomy." During the first two years of Putin's tenure, his seven presidential envoys, working in the newly created federal okrugs, sought to correct regional legislation that contradicted the federal constitution and legislation. At the center of attention stood efforts by the envoys to remove any form of the word "sovereignty" from regional charters and constitutions. Bashkortostan, for example, had to change "sovereignty" to "statehood (*gosudarstvennost*)." The federal government is still discussing the topic with Tatarstan.

In the constitution approved in the Chechen referendum of 23 March, the first article uses this phrase once so hated by the Kremlin: "Chechnya's sovereignty is expressed in its possession of all powers (legal, executive, and judicial) which the Russian Federation does not hold, powers jointly held by the republic and federation, and is an inalienable quality of the republic." The article also talks about Chechnya as a constituent part of Russia. Nevertheless, in June 2000 (when Putin was still strengthening federal authority), the Constitutional Court declared that Russian regions could not describe themselves as "sovereign." Republics within the Russian Federation cannot even claim to have "limited sovereignty." Thus, there is an obvious double standard in the laws governing regional policy.

But the juridical contradictions do not end with "sovereignty." Articles 29 and 30 of the new Chechen constitution introduce the concept of being a "citizen of the Chechen Republic." This clause contradicts the law on citizenship Putin himself signed in 2002, a law which does not provide for any other form of citizenship than Russian.

As we see, despite its victorious rhetoric, the Russian state has not moved much closer to a legal form of regulating relations between the center and regions. The Chechen case is a clear confirmation of this outcome. Now, as before, regional policy is determined by the same "understandings" and political pragmatism.

The new draft of the Chechen constitution could not have appeared without the Kremlin's support. The sections of the text which contradict Russian legislation and

decisions of the Constitutional Court create dangerous precedents. First, they reduce the authority of the Constitutional Court, whose decisions have fallen victim to political expediency. Second, the adoption of the current draft of the Chechen Constitution artificially strengthens the asymmetry of our federation, creating a basis for the growth of ethnic passions in other regions, where some may ask why Chechnya is allowed exceptions, while Bashkortostan, Tatarstan, and other regions are not. Third, the juridical norms adopted under the pressure of political pragmatism could ultimately work against the people who developed them. The presence of such constructions as "sovereignty," and "citizen of the Chechen Republic" give the republic's elite room to seek to expand their powers and receive additional preferences, which will hardly work for stabilizing the situation in Chechnya or strengthening the unity of the Russian Federation.

To make matters worse, Chechnya's "special status" now has a material underpinning. On 28 February, Prime Minister Mikhail Kasyanov signed an order handing over part of the federal property located in Chechnya. Now the republic owns more than 60 percent of the state property on its territory.

RECENT DEVELOPMENTS

INSTABILITY LIKELY TO CONTINUE IN CHECHNYA. On 23 March well over 90 percent of the Chechen voters, with 80 percent turnout, approved a new constitution for the rebellious republic and new laws on electing a president and parliament. Moscow had hoped that these results would help stabilize the situation in the republic and pave the way for presidential and parliamentary elections in December 2003. Federal policy-makers viewed these elections as the second step in the stabilization process.

However, the revival of terrorist acts in Grozny and the likely resumption of military activity in the mountainous part of the republic in the spring and summer are likely to seriously impede the political stabilization process.

It also seems unlikely that Moscow will be able to legitimize the regime of Akhmad Kadyrov, its hand-chosen leader for the republic. Despite the March referendum results, many experts believe that Kadyrov is not in a position to consolidate his authority in the republic. Kadyrov interpreted the referendum results as a personal success and sought to use them to ensure that neither the Kremlin nor anyone in Chechnya would oppose his election to the presidency. Despite these efforts, Kremlin officials are now discussing the possibility of postponing the Chechen presidential elections until after the Russian presidential elections in March 2004 to ensure that the current leadership has a strong interest in preserving stability in the republic.

As a result, Kadyrov's position is weakening in Chechnya. The federal government is also beginning to fear that it should not stake its future policy on Kadyrov. Doing so could prolong the existence of an opaque economic system in which federal reconstruction subsidies continue to disappear. Judging by the statements of federal officials, republican parliamentary elections could now take place before the presidential elections. In creating such a legitimate legislature, the Kremlin could establish a base for the appearance of a new republican opposition to Kadyrov. The parliamentary elections could serve as a useful launch pad for an alternative candidate.

The electoral situation in Russia also has an enormous impact on the situation in Chechnya. The State Duma is currently preparing an amnesty in the wake of the adoption

of the constitution. Observers believe that it will be hard for many ordinary citizens to accept such a radical shift in the president's policy toward Chechnya, from seeking to destroy the "terrorists" to forgiving many of them.

Much will depend on the authorities' ability to transform the wide-spread belief that Chechnya is a "black hole" for the Russian economy, sucking up billions of rubles for the reconstruction effort. Accounting Chamber head Sergei Stepashin claims that the effort will require 25 billion rubles a year for the next 5-6 years. Clearly such budget funds are not available and no one is yet ready to risk private capital in the region. Some experts believe that if ethnic Chechens living outside of the republic invested some of their capital, they would create tens of thousands of jobs and solve many social problems by building housing and creating infrastructure. Such outlays, however, would require real national reconciliation and confidence that money returned to the republic would not fall under the control of one of the power groups in the region.

Most likely, the federal government will not hurry to resolve all these issues. It will seek political stability in the republic, but avoid a final decision on personnel issues. Much will depend on the outcome of Russia's parliamentary and presidential elections since they will determine the mood in society and the most likely solution for the Chechen problem. - Pavel Isaev in Moscow

REGIONAL RESOURCES ON-LINE

Interregional Labor Mobility in Russia - Yuri Andrienko and Sergei Guriev have prepared a paper analyzing internal migration in Russia. While overall migration is low, the researchers found that it does depend on economic factors. People move from poorer regions with few jobs and public services to richer regions, with more jobs and better services. Poverty constrains migration so in the poorest regions "an increase in income raises rather than decreases outmigration." For the full paper, see the Center for Economic and Financial Research website: www.cefir.org/papers.html

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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

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

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Russian Regional Report
(Vol. 8, No. 9, 13 June 2003)

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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HUMAN TRAFFICKING

CRIMINALS EXPLOIT FLOWS INTO, OUT OF IRKUTSK

By Anna Repetskaya, head of the TraCCC office in Irkutsk

Human trafficking is sadly widespread in the world because it is a highly profitable and relatively risk-free form of criminal activity. The difficult social and economic conditions in a variety of countries, limiting the prospects for a successful life, facilitate its development.

Human trafficking in Russia became a problem less than a decade ago. It was first officially recognized in 1997, when the State Duma's Committee on Security sponsored an international conference addressing the criminal exploitation of people from Russia. Since then a wide variety of international and domestic organizations and scholars have studied the problem.

Unfortunately, however, there has been little progress beyond developing theoretical constructions and preparing criminological studies. Partly this lack of progress is connected to the absence of the concept of "human trafficking" in Russian legislation. Thus, despite its dangerous features and long-term consequences, human trafficking is not punishable. In other words, the law enforcement agencies are powerless in attacking this problem since it is beyond their competency. Thus, police often claim in interviews that they have never heard of any cases of Russian citizens being transported abroad or believe that such stories are "fabricated by journalists."

Often victims of such crimes find themselves in a foreign country with little chance of getting assistance. Russian law enforcement agents do not have jurisdiction

beyond the country's borders; while Russia's embassies pursue other functions and simply lack the resources to help. If the exploitation takes place within Russia, then the law enforcement agencies' hands are tied either by the lack of a law dealing with the problem or corruption. Another problem is the closed nature of the ethnically-based transnational crime groups who control these processes, from recruiting people to actually exploiting them.

Although it is a relatively new problem, human trafficking is growing. The difficult economic situation, presence of armed conflicts, open borders, and the growing activities of transnational crime groups operating within Russia all serve to facilitate such activities.

Russia has a double position on the world market in human beings. It supplies (mostly women) to more developed countries with high living standards or countries that are centers of sex tourism where, despite the generally low standards of living, there is high demand for sexual services from foreign tourists. The main form of exploitation here is sexual, though other forms of exploitation are also common. Russia also receives flows of people from countries where living standards are even lower. In this case, labor is usually exploited for industrial production or construction.

Eastern Siberia and Human Trafficking

Eastern Siberia is an attractive target for human traffickers because of its natural resources (energy, forestry), well-developed extraction and processing industry, and transportation links to Central Russia, South East Asia, and Central Asia. The proximity to poorer parts of Asia and the presence of numerous factories that use seasonal labor, including cheap foreign workers, draws significant migration flows from these countries. Irkutsk's border guards only monitor 20-30 percent of the flows into the oblast because the other 70-80 percent cross the Russian border in other regions and then enter Irkutsk. Getting a sense of how many foreigners come and go is difficult because many do not register their arrival or departure. The officially recorded presence of illegal migrants in Irkutsk is 4,500 to 5,000 Chinese citizens and 5,000 - 6,000 CIS citizens, according to the oblast's branch of the Interior Ministry.

Most migrants from Central Asia arrive over land, find work illegally, and some times engage in semi-criminal or criminal activities, taking the proceeds back to their homeland. Most come to the oblast for seasonal jobs, taking various low-skilled positions in enterprises or working for individuals in violation of Russian labor and tax laws.

The situation on the local labor market is far from ideal. In November 2001, the general unemployment rate in Irkutsk Oblast was 11.2 percent. On 1 January 2001, there were 24,124 registered unemployed, with more than twice as many women as men unemployed (16,617 and 7,507 respectively). By the beginning of 2002, 39,435 people sought work, with 58 percent of them being women. Since 1992, the level of unemployment has grown 2.6 times for women and 2.5 times for men. At the same time, the income of 60 percent of the population is below 2,000 rubles a month, and for 25 percent it is below 1,000 rubles.

Among the women with no work, women under 30 have the highest unemployment rates: only one in four women in this age category had jobs, and those with no special or higher education were particularly disadvantaged. Young women face

the greatest difficulty finding jobs since the market favors more experienced women and men. Unfortunately, however, young women often lack the means to obtain more education, while employers prefer trained, experienced employees.

These conditions make the young women extremely vulnerable. The result is greater levels of criminality among these women and their crimes have a particularly mercenary character. In order to find work, the women must take an enormous risk, either going abroad or working with local pimps, which greatly increases the possibility that they will be victimized.

Criminological Characteristics of Human Trafficking

It is extremely difficult to obtain reliable figures on human trafficking. The only thing that is clear is that the problem is not a myth and that the situation is getting worse.

Until recently, the local police completely ignored the problem. A recent poll found that only 45.4 percent of the Irkutsk police had heard of such cases, and then had found about them through the newspaper (the study is not representative since only 63 police officers were interviewed). Using second-hand information, only about 15 percent thought that trafficking was a widespread phenomenon.

However, the regional Interior Ministry has set up a new department aimed at preventing the sexual exploitation of women and their transport across the border. This change is undoubtedly the result of increased work by international social and scientific organizations, which have actively sought to prevent the recruitment of women in the oblast.

The law enforcement agencies naturally have more effective resources for addressing the problem than do social organizations. For example, the new branch of the Interior Ministry has recently conducted a series of investigations of tourist, marriage, and modeling agencies, to find firms engaged in sending women and children abroad for the purpose of sexual exploitation.

Again it is hard to gather data on the problem since there is no explicit law against recruiting people to be sent abroad. One way to measure such phenomena is to look at the number of passports issued. This figure rose from 15,500 in 1998 to 19,500 in 2001. The main destinations are China and Thailand, while it has become harder to obtain visas to Germany or the US.

Usually young women go to Moscow for beauty, modeling, or hair styling contests and are given promises to study abroad. Once the victim falls into the net, she finds herself in a foreign country after her handlers have taken away her travel documents. To regain her passport, the victim must work in the sex industry for 3-4 months. Once the pimp returns the passport, often he cuts all ties with the victim and she must work as a street prostitute to earn enough money to buy a ticket home. Such is the typical case described by the authorities.

The passport and visa agencies try to warn young women about the problems they might face. In particular, they focus on women traveling to participate in beauty contests. Many women change their minds after such conversations. If the women decide to go, the passport and visa service advises them to warn their sponsors that someone will search for them if they do not return at the end of their contract. In these cases, organizers often call to say that they are no longer interested in the women.

The Irkutsk Crisis Center also conducts such preventative work. However, during the years of its existence, it has only dealt with women who are planning to work abroad. It has never counseled women who have returned. This lack of direct evidence makes it difficult to know the real scale of human trafficking from Irkutsk. Additionally, available statistics do not keep track of how many people actually return home after traveling abroad. The Migration Service is planning to start tracking such figures.

Although currently there is no specific law against human trafficking, it is possible to track other crimes such as kidnapping (article 126 of the criminal code) and trafficking the underaged (article 152). However, Irkutsk registered very few of these crimes in the period 1997-2001. For kidnapping, the figures were 1997:13, 1998:20, 1999:27, 2000:32, 2001:16. There were only two violations of article 152 during the same period.

Obviously, the official statistics do not reflect the real situation. Part of the problem may be that the crimes are not categorized correctly. In many cases, children become victims of their own parents or caregivers, who do not have the resources to avoid selling them into sexual or labor exploitation. On the other hand, the connection between kidnapping and trafficking is tenuous since there may be several goals for kidnapping someone.

Beyond trafficking, there are several other common ways to exploit human labor. One is the use of slave labor in underground factories for producing bootleg wine or vodka. These plants often belong to Azerbaijanis. Workers trapped in them sometimes see suicide as the only way out and several cases have been recorded in the oblast.

In other cases, store owners hire young women as sales clerks. Once the woman starts working, the owner removes some of the inventory for which she was responsible, claiming that she allowed it to be stolen. Threatening the women with a criminal case, the owner forces her to work for free until the sum has been paid back.

Male migrant workers from the CIS and more distant countries are also exploited. There are estimated thousands of such workers in the oblast. Since the migrants are often in the oblast only on a semi-legal basis, they are much more vulnerable to exploitation. They have no contracts and no protection from their native state or the Russian government. Many work in the northern reaches of the oblast, which are only sparsely populated. In particular, migrants from Ukraine, Belarus, and Moldova work in the gold mines, when such seasonal work is available. Employers seek to hide the real number of such workers in order to avoid paying taxes. Migrants from North Korea face particularly harsh conditions. North Korean companies organize their work in Russia and then export any proceeds home. Russian firms find it very convenient and profitable to use cheap foreign labor since they do not have to provide benefits or social protections.

Conclusions

Currently, there are two correlated flows of criminally exploited people into and out of Irkutsk. The influx of migrant laborers from abroad, who sell their labor extremely cheaply and are willing to take any kind of work despite the exploitation, push local citizens off the market, particularly the residents of the northern part of the oblast and young women, who go abroad in search of a better life. Falling into the network of human traffickers, such women face no less cruel forms of criminal exploitation. The

consequence for Russia and Irkutsk is a loss of economic resources as well as demographic, medical, and gender problems. A more active policy of state intervention in these processes would block the further development of criminal exploitation and reduce its catastrophic consequences.

CORRUPTION

CHARGES AGAINST SARATOV SPEAKER DROPPED. On 19 May, the Russian Supreme Court rejected the appeal of the Saratov Oblast Procurator trying to reinstate charges in the "Case Affair," one of the most prominent corruption scandals the oblast has seen in recent years. The charges had been filed against Sergei Shuvalov, the former deputy governor, who is now the chairman of the Saratov Oblast legislature. The high court cleared Shuvalov of all charges.

In January 2002, the oblast procurator charged Shuvalov with exceeding the responsibilities of his office allegedly by sending a letter to the customs service allowing the import of Case combines to the region in a way that cost the regional government \$7.3 million. Shuvalov faced a prison sentence as long as 10 years.

According to unofficial sources, Shuvalov was the victim of his own ambitions. In the spring of 2001, he launched a campaign to win the governor's seat at a time when there were unconfirmed rumors circulating that incumbent Governor Dmitrii Ayatskov would soon resign. The campaign quickly ended when Ayatskov made it clear that he had no intention of stepping down. The governor gradually began taking away Shuvalov's power, shifting his responsibilities to Vladimir Maron, known in the region as a strict administrator who had started his career as the head of one of Saratov's hospitals. Ultimately, Shuvalov secured an honorary discharge by winning a seat in the Saratov legislature and eventually rising to the position of speaker. Even Shuvalov's political opponents, such as Saratov's Communist leader State Duma member Valerii Rashkin, argued that Shuvalov's fall had more to do with politics than corruption.

Two months after his election as the speaker, the oblast court dropped all charges against Shuvalov. However, the oblast procurator continued to allege that Shuvalov was guilty. In this case, the procurator maintained the same position, but now for different reasons.

According to views common in the oblast, Oblast Procurator Anatolii Bondar started as an ally of Governor Ayatskov, but slowly moved to a more independent position, cutting his ties with the governor. The Kremlin backed these ambitions, seeking to bring regional legislation and its implementation into line with federal norms, in the face of Ayatskov's resistance. The procurator's conflict with the governor seemed to reach its apogee in the September 2002 elections to the oblast legislature when the governor did not back a single candidate who would have worked in the interests of the procurator. As a result, the procurator formed an alliance with the Saratov mayor, who for two years has served as an opposition to the governor. However, this alliance produced little for the procurator because it did not win the procurator's allies seats in the legislature. The mayor now controls too few of the oblast deputies to have much influence on oblast policy.

Now the procurator has lost his last chance to influence the chairman of the oblast legislature, who despite his fall from grace within the executive branch, remains a loyal member of Ayatskov's team. As the speaker, Shuvalov plays an important role serving as

a link that allows the governor to control a majority in the region's legislature. Russian law provides for no further proceedings against Shuvalov. - Ilya Malyakin in Saratov

TVER GOVERNOR, FORMER DEPUTY TRADE ACCUSATIONS. Former Tver Deputy Governor Yurii Krasnov charged Governor Vladimir Platov with poorly administering the oblast in an 8 May interview with the local newspaper *Veche Tveri*. The region will hold gubernatorial elections in December.

Krasnov charged that he had made all the strategic decisions in the oblast when he was in office since Platov simply wasn't doing his job. He said that the oblast is not meeting its obligations to pay the salaries of public sector workers, finance regional agriculture, and ensure adequate environmental protection. He also claimed that the governor has misused a federal subsidy of 160 million rubles.

Beyond these charges, Krasnov pointed to the scandal surrounding the disappearance of more than 400 million rubles raised from the sale of oblast debt. Krasnov claimed that he was fired because the governor wanted to deal with this problem in secret. He warned that the oblast would face difficulties in August when it has to pay back more than 600 million rubles of principal and interest.

Krasnov charged the regional legislature with complicity in the affair because it had approved the loan. This line of attack is clearly designed to hurt Speaker Mark Khasainov, a close ally of the governor who eventually may be in line to replace him.

Krasnov said that he would contest Platov's seat, despite a campaign by the governor seeking to push him into running for the State Duma.

In an interview published two days earlier, Platov said that he would seek reelection in December. He claimed that all was well in the region and asserted that he had to fire Krasnov following an investigation by the Ministry of Internal Affairs (*Tverskaya zhizn*, 6 May). Platov said that in the future he would take similar actions against all officials who "confuse the state pocket with their own." - Boris Goubman in Tver

STATE DUMA ELECTIONS

NIZHNII YEDINAYA ROSSIYA FILLS RANKS. As the December 2003 elections approach, the pro-Kremlin Yedinaya Rossiya party is trying to expand its political influence by recruiting a growing list of luminaries to the party's ranks. One recent example was the high-profile enlistment of the new Krasnoyarsk governor, Aleksandr Khloponin.

In November 2002, the Nizhnii Novgorod Oblast and Volga Federal Okrug party organizations began to follow this general course, taking measures to expand the membership of the regional political council. At that time, the regional party organization was far behind neighboring organizations. Its ranks numbered only 160, while the Samara Oblast organization had managed to recruit 5,000 members.

Through the use of various administrative pressures, the party managed over the course of November to sign up a variety of prominent regional politicians, businessmen, enterprise managers, and other well-known local figures. Among the list were the mayor of Dzershinsk, the general director of Lukoil's Volganefteprodukt plant, the head of the

Nizhnii Novgorod Fuel and Energy Company, and the general director of Volgotransgaz, among others.

By the middle of November, the party claimed 4,000 members and now boasts of 8,000, which is more than the regional Communist Party claims. Yedinaya Rossiya has the largest faction in the oblast legislature, with about a third of the membership, and also controls about a third of the membership in the city council.

All seemed well until 22 May when the presidential administration summoned the oblast legislature's speaker Yevgenii Lyulin to Moscow and offered him the regional party leadership in a move replacing State Duma Aleksandr Kosarikov, who was made deputy head of the party's Volga Interregional Coordinating Council. The Moscow party leadership expressed concern about the low rating of the party in the region. Until he was summoned to Moscow, Lyulin had never been a member of Yedinaya Rossiya. At the time that he was elected speaker, Lyulin suspended his membership in a different party, the Union of Right-wing Forces (SPS).

These events suggest that Presidential Envoy to the Volga Okrug Sergei Kirienko is gradually expanding his influence in the region, including through the use of party structures. Kirienko is one of the co-chairmen of SPS, but his colleagues from that party are beginning to play a much more visible role in Yedinaya Rossiya. Former SPS member Lyulin took the Yedinaya Rossiya reins from Kosarikov, who was considered to be an ally of former Governor Ivan Sklyarov.

The personnel changes within the Yedinaya Rossiya party are characteristic of Kirienko's style. Kosarikov was not simply ignominiously dumped, but appointed to a new position that has even greater formal status. It was also announced that he will run for the State Duma on the party list. In other words, when Kirienko puts his people in new positions, he does not simply remove the old cadres, but finds them new positions either on his okrug staff or in bodies closely allied with the okrug.

Within Kirienko's staff, another former SPS member, Lyubov Glebova, is the curator for the Yedinaya Rossiya Interregional Coordinating Council, a structure that unites all the regional party branches in the Volga federal okrug. No other party has a similar structure within the framework of the presidential envoy's office that could operate under Kirienko's patronage. - Rustam Bikhmetov in Nizhnii Novgorod

ROSTOV SPS FACES SERIOUS PROBLEMS. On the eve of the electoral campaign to the State Duma, Deputy Boris Titenko, the leader of the Rostov Union of Right-wing Forces (SPS) party organization and coordinator of the party's work in the Southern federal okrug, announced his decision to leave the party. He charged that the party was turning into a closed oligarchic structure, which no longer expressed the interests of liberally inclined Russians. He claimed that the SPS was driving out everyone who did not agree with the position of its leader, Boris Nemtsov. He predicted that the party would suffer a significant defeat in the December elections and that that the SPS's entire project in the country was failing.

As a result of internal intrigues, three regional branches of the party (Rostov, Stavropol, and Krasnodar) have shut down in the southern okrug. Moreover, 8 of the 13 Rostov Oblast local party organizations that existed on 22 May have disbanded themselves. Now many of the original "democrats" from the Russia's Democratic Choice party are leaving the ranks of the SPS, following their leader Titenko. In Stavropol, the

locally prominent writer Vasilii Krasulya set up a parallel SPS party organization to displace Nemtsov's opponents. Something similar happened in Krasnodar as well. Naturally, such upheaval is undermining the SPS's campaign effort across the southern okrug as a whole. - Aleksandr Krasnov in Rostov-na-Donu

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Russian Regional Report
(Vol. 8, No. 10, 25 June 2003)

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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TRIP REPORT: IRKUTSK 10-12 JUNE 2003

Below is an account of a quick trip to Irkutsk. Thick smoke from forest fires in the region reduced visibility in much of the city to no more than a few feet. The smoke seemed to permeate all aspects of life. Thick gray clouds hung over Lake Baikal and the police were not allowing campers into the region. Locals suggested that thieves cutting down trees in the forest for the export market had set the initial fires in order to cover their tracks. The fires definitely represent a huge healthcare and environmental catastrophe for the region.

President Putin was asked about the situation at his 20 June press conference. He said that the Emergency Ministry could do nothing about the problem. The president blamed the fire on arson "either as a part of the competition for the forest, or to create conditions for theft, or to hide these thefts." He suggested two responses. The first is economic: creating conditions for loggers to work legally. The second was to encourage the law enforcement agencies (the Ministry of Internal Affairs, Prosecutor's Office, and customs) to work more effectively. - Robert Ortung

ASSASSINATIONS OF BUSINESSMEN

PROPERTY REDISTRIBUTION OFTEN NOT TO BLAME FOR KILLINGS. In recent years, Russia has gained a reputation as a place where it is dangerous to do business. Federal legislators and governors are gunned down on the streets of Moscow and the people behind the killings are never identified, though all agree that the individuals' business ties, rather than their politics, were to blame. Businessmen seem to perish with even greater frequency. Even more lurid are the murders of colorful figures like the recently departed Kostya the Grave, someone apparently with ties to politics, business, and organized crime.

While the number of assassinations is inexcusably high in Russia, a more careful look at the data behind the tabloid headlines suggests that business dealings are not at the root of such murders as often as one might assume from media reports. In fact, in at least one oblast that has its fair share of lucrative natural resources and murders, business disputes do not play the main role in the killings of businessmen.

A recent analysis of businessmen-murders in Irkutsk Oblast during the three years between 2000 and 2002 shows that redistributing control over property rights was rarely to blame. In this regard, Primorskii Krai, whose governor is often alleged to have links to organized crime, is an exception (see analysis in Russian Regional Report, 7 May 2003).

During the period 2000-2002, murder took the life of 95 businessmen in Irkutsk Oblast, according to data from the Irkutsk regional branch of the Ministry of Internal Affairs. Only about a third of the murders seemed to be directly or indirectly related to business activities. Other causes, such as covering up another crime, played a much bigger role. The following reasons prevailed according to the research:

- covering up other crimes, such as robbery: 23 murders (24.2% of all murders)
- in the course of arguments especially when alcohol was being consumed: 18 (18.9 %)
- due to a failure to repay debts: 15 (15.8%)
- seeking to remove a competitor: 9 (9.5%)
- criminal settlements (*razborki*): 7 (7.4%)
- hostile relations as a result of business deals gone sour: 5 (5.3%)
- hostile relations in daily life during long-running conflicts: 6 (6.3%)
- hooliganism: 4 (4.2%)
- redistributing property or rental rights to property: 3 (3.1%)
- jealousy: 1.

Overall, murder is much more of a problem for small business than it is for big business. Most of the businessmen killed (51 of the 95) were small-time retail traders dealing with the products of industrial groups. Thirty of these crimes have been resolved, while 21 are under investigation.

Businessmen working in medium-sized firms represented 36 of 95 murders; 19 of these have been resolved, while 17 remain under investigation. Five of these men worked in wholesale trade, particularly dealing with small-scale lots of forestry products (meaning 1,000 to 2,000 cubic meters of unprocessed timber a year). These murders took place due to conflict over the insufficient supply of forestry-hauling capacity on the railroad and disputes over suppliers of trees. Usually forestry product traders deal with individual oblast residents who cut down trees and then supply them to wholesalers. The wholesalers often fight over access to these suppliers.

During the three years, eight big businessmen were killed. None of the murders seemed to come as a result of the numerous oligarchic groups working in the region. Of the murders that did take place, three were resolved, while five remain under investigation. Among the unresolved murders are:

-- Yevgenii Merzlyakova (killed 16 February 2000), the general director of the Korobeiniki company, which sells food in a chain of stores that it rents from the city. The police are seeking one of Merzlyakova's former business partners as the chief suspect in the case.

-- Timur Kodzoev (killed 15 June 2001). Kodzoev's main source of income was large-scale financial operations dealing with real estate and cheating large enterprises by fictitiously covering their federal debts, usually with the pension fund. He also secured sizable credits backed by the guarantee of large enterprises, in which cases he did not return the credit and the enterprise went bankrupt. These financial transactions brought him into conflict with the leaders of the Bratsk organized crime society.

-- The driver of Grigorii Trifonov (killed 25 September 2000). Seeking to kill Trifonov, the assassins instead shot his driver. Trifonov is the general director of Bratskkomplekskholding. The authorities are having difficulty determining the motive for the shooting because Trifonov has refused to cooperate with the investigation. Some evidence suggests that Trifonov was engaged in a dispute with the co-founder of his company.

-- Kyarim Kochkarov (killed 9 August 2002). Kochkarov apparently fell victim to a dispute within the Azerbaijani diaspora in which he was a big businessman who did not provide financial support to the officially registered cultural-national society Berlik. His main source of income was sub-leasing space at the Parus market (owned by the city of Irkutsk). Kochkarov made his initial capital preparing and selling illegal vodka. During the period 1994-1998, he was allegedly involved in the drug trade. He had protection from members of the Chechen community in Irkutsk.

-- Sergei Sennovskii (10 October 2002). Sennovskii was the acting general director of the Karavai chain of retail shops and informally worked as an assistant to Angarsk Mayor Ye. P. Kanukhin. Investigators suggest that the businessmen of the city of Angarsk killed Sennovskii because he sought to use his connections to the mayor to remove their kiosks from the city streets so that consumers would have to buy their food through his chain of Karavai stores.

The main reason for the low level of resolving such businessmen murder cases is that the victims generally have a wide circle of acquaintances and numerous one-time contacts connected to their commercial activity, making it difficult to determine who had the greatest interest in killing them. During the first 11 months of 2002, there were 1,180 murders in Irkutsk Oblast, the second highest number in Russia after Moscow Oblast. The police force working on such crimes numbers just 98 individuals and they succeeded

in solving 747 cases. The number of murders in Irkutsk Oblast per 100,000 population is 2-3 higher than in other large Russian regions.

Each field agent has to deal with approximately 37 murders a year, an extremely high caseload. Accordingly, at the end of 2002, the Irkutsk police set up a special division to deal with contract killings and murders that generate an especially large amount of publicity.

POWER MINISTRIES IN THE REGIONS

IRKUTSK DEPUTY GOVERNOR COORDINATES FEDERAL MINISTRIES.

One of the main goals of Putin's federal reform was to put his seven presidential envoys and their regional subordinates, the chief federal inspectors, in charge of coordinating the numerous federal agencies working in the regions. During the 1990s, governors had managed to capture these federal agencies, using them for regional rather than federal purposes. Even federal law enforcement agencies were not immune from regional influence. Since the beginning of his term, Putin has sought to remove these federal employees from regional control and subordinate them directly to federal officials.

In Irkutsk Oblast, the reform effort so far has failed. The deputy governor responsible for relations with the power ministries coordinates their activities and the chief federal inspector does not play a major role.

Currently, Deputy Governor Sergei Boskholov holds regular meetings with representatives of the region's power ministries to discuss key issues in dealing with regional crime. Recent meetings have included a variety of topics such as contract killings.

Additionally, Governor Boris Govorin chairs an anti-terrorism committee that deals with such issues as ensuring a high level of security at the region's nuclear sites. This committee also meets to address extraordinary situations. For example, it held an emergency session in the wake of the 9 May 2002 bombing in Kaspiisk.

A new chief federal inspector replaced Igor Tutevol about a year ago. An interview with Tutevol conducted in 2001 suggested that he was relatively ineffective and had little impact on oblast politics (See Russian Regional Report, 23 July 2001). The new chief federal inspector Valerii Ryabov has a background in metallurgy and knows little about security issues. He does not object to the regional administration's meetings and, in fact, attends them.

Irkutsk's politicians believe that the region has suffered as a result of Putin's federal reforms. The federal government is taking a greater share of the region's tax revenue, consolidated its control over the 40 percent state packet of shares in Irkutskenergo, removing them from regional management, and has recently forced the region to renounce its power-sharing agreement. Regional officials will fight hard before giving up any more of their prerogatives.

RADIOACTIVE WASTE

BUREAUCRACY BLOCKS COHERENT RESPONSE TO FLOOD DANGER.

On 11 June the Federation Council formally asked Prime Minister Mikhail Kasyanov what he is doing about the potential for a repeat of the devastating 2002 floods in Krasnodar

Krai. Then rising waters took a terrible human and financial toll and threatened to spread the radioactive waste of a local plant in an area the size of Chernobyl, potentially affecting the homes of 1.27 million people.

The 2002 flooding in southern Russia caused damage unprecedented in the last 100 years. The water killed 102 people, damaged 246 populated areas, and destroyed more than 110 kilometers of natural gas pipeline, 269 bridges, and 1,490 kilometers of roads. Overall, the lives of 340,000 individuals were affected and the damages amounted to 15 billion rubles.

Krasnodar Krai is in the heart of the affected area and suffered many of the losses. During the last 30-40 years, industrial and residential construction has progressed chaotically in the area and builders have often completed construction projects in flood zones. Now there are 300 settlements in the flood plains, housing up to half a million people who work on more than 700,000 hectares of valuable agricultural land.

The situation is complicated further by the existence of approximately 700 ecologically dangerous enterprises in the flood zone. In particular, the floods of July 2002 came close to the Troitskii Iodine Factory, which stores the slightly radioactive waste that is a by-product of its production process. If floodwaters entered the plant, they could pollute an area that encompasses one quarter of the population of Krasnodar Krai.

Immediately after the 2002 floods, the federal and regional authorities took a number of measures to counteract similar situations in the future or at least minimize their consequences. The authorities reconstructed dams, created a system to provide early warnings to the population, and strengthened the state flood monitoring service.

But one of the key problems remains unresolved. One of the main water management facilities in Krasnodar Krai remains under the control of the Natural Resources Ministry, the Agriculture Ministry, and the Energy Ministry. Each of the ministries has different levels of financial resources to support the water management facilities, the result of which is that several of these facilities have fallen into disrepair.

Most importantly, because of the differences between the ministries, there is no unified system for managing water resources. The confusing lines of authority made it difficult to react quickly to the dangers posed by the floods, shifting water from one area to another. In a number of cases during the 2002 floods, shifting water from one dam to another could have prevented several dams from collapsing and prevented the flooding of several towns.

All the efforts of the regional authorities to address this problem during the last year have failed. It seems that the bureaucratic system of sharing ownership and management rights is no less of a problem than the forces of nature. The Krasnodar authorities fear that flooding during the summer of 2003 could be as bad or worse than during 2002. Therefore they have appealed to the prime minister to take responsibility for all irrigation facilities from the various ministries and concentrate them in a single federal agency for managing water resources. The Krasnodar authorities hope that if this step works in their region, it will serve as an example for other Russian regions. - Mikhail Kirichenko in Krasnodar

COMBINING REGIONS

OIL COMPANIES SEEK TO MAINTAIN STATUS QUO IN TYUMEN. Tyumen Oblast politicians have been following the recent discussions in the State Duma and the Russian press about combining some of Russia's 89 regions into larger units with great interest. Tyumen Oblast, which produces most of Russia's oil and natural gas, is a prime target for such combination since it includes the Khanty-Mansii and Yamal-Nenets autonomous okrugs. These okrugs are simultaneously independent regions and part of the oblast. Eliminating them would help to rationalize Russia's federal structure. Tyumen Oblast, combined with its two constituent okrugs, is one of Russia's richest regions because of the income it derives from the exploitation of its natural resources.

The federal government would naturally like to send more of the money from the resource exploitation to the federal level for federal needs, but naturally the okrug leaders do not want to give up their independence and their ability to redistribute these funds. The governors of Khanty-Mansii and Yamal Nenets are not independent players since Russia's oil companies and the natural gas monopoly Gazprom exert powerful influence over them. The companies want to maintain the status quo, which gives them greater influence over the income derived from natural resources.

In this struggle, Tyumen Oblast Governor Sergei Sobyenin is so far maintaining a neutral position. He came to power as governor with the support of the okrug governments and his key electorate is located in the okrugs. However, he could benefit from the changes being proposed at the federal level and may be tempted to shift his position. Immediately prior to becoming governor, he worked as an assistant to Presidential Envoy to the Urals Federal District Petr Latyshev.

In the past, the oblast and two okrugs had signed what amounted to a non-aggression treaty, which worked to maintain the status quo. The federal initiatives are now forcing the region's politicians to rethink their positions. Representatives of the okrugs want to sign a new treaty to strengthen the alliance among the three. However, it is not clear if Tyumen Oblast Governor Sobyenin will go along.

On one hand, Sobyenin has a strong interest in working with the okrugs. If the federal government reduces the amount of money that remains in the okrugs from the extraction of oil and gas, it will reduce the money flowing into Tyumen Oblast proper (the poorer, agricultural southern part of the oblast) as well as the okrugs. However, the federal plans also offer many temptations to Sobyenin since implementing them could transfer some economic powers from the okrugs to the oblast government. Naturally, these powers might include a voice in distributing the income derived from the resources. Currently, the okrug governments hold the "second key" for issuing licenses to extract the area's natural resources (the federal government holds the first key). There have been numerous discussions recently either to abolish the okrug's say in the resource use altogether or transfer it to Tyumen Oblast.

The federal government sent another warning to the okrugs at the end of May. At a meeting under the auspices of the presidential envoy, representatives of the Natural Resources Ministry accused them of using their resources ineffectively. In particular, the ministry's auditors accused the okrug authorities of overlooking numerous abuses by the major oil companies.

Since the Soviet era, the okrug authorities have been controlled by agencies that mine the resources. The ministry's representatives argue that if the okrug authorities are not able to bring the oil companies to account, it is necessary to give this job to someone

else. The okrug governors naturally dispute the ministry's characterization of their work and charge that that the ministry is holding up the conduct of auctions for the resources. - Yelena Arbatskaya in Tyumen

ELECTIONS AND CORRUPTION

FAILED NORILSK ELECTIONS DEMONSTRATE AUTHORITIES' ABILITY TO BLOCK CANDIDATES. The Norilsk mayoral elections ended a series of pre-term elections in which Norilsk Nickel, the profitable metals giant, was able to place its people in positions of power. First, former General Director Aleksandr Khloponin won the Krasnoyarsk gubernatorial elections, replacing Aleksandr Lebed, who had died in a helicopter crash. Next Norilsk Mayor Oleg Budargin, also Norilsk Nickel's candidate of choice, won the Taimyr gubernatorial elections, taking over for Khloponin. The next step was supposed to be the Norilsk mayoral elections.

In the mayoral elections, the metal plant backed Sergei Shmakov, the chairman of the Norilsk city council. However, he faced stiff competition from Valerii Melnikov, the chairman of the Norilsk Nickel federation of trade union organizations, whose membership includes about half of the workers of this company. Melnikov is often described as a northern Lech Walesa. In February, Melnikov had organized a hunger strike, demanding that the company share its profits with its workers. He based his campaign on a sharp attack against the company's social policies. Melnikov's opponents claimed that Russian Aluminum financed his campaign, but they produced no evidence to support this assertion. Russian Aluminum opposed Khloponin's victory in the Krasnoyarsk gubernatorial campaign.

In the first round of voting on 20 April, Melnikov won 47 percent of the vote, almost enough for an outright victory. Only 31.4 of the voters backed the company's official candidate Shmakov. The other two candidates in the race received less than 4 percent of the vote combined, while 16.6 percent voted against all candidates. It was clear that Melnikov would win in the runoff that was supposed to take place 4 May.

However, on 22 April the city procurator demanded that the city electoral commission request that the courts cancel Melnikov's registration as a candidate. The electoral commission immediately did as it was told and on 28 April, the court removed Melnikov from the race. Melnikov only received the full text of the decision on 30 April, right before the beginning of the 1 May holiday, and had no time to appeal it.

The court then tried to hold the race with Shmakov competing against the third-place finisher. However, Shmakov immediately withdrew, saying that he did not want to be "appointed without taking into account the democratic will of the Norilsk residents." Observers, however, pointed out that Shmakov had no chance of winning since the majority of voters likely would have voted "against all" in a race that did not include Melnikov. Subsequently, the other two candidates withdrew from the race and the elections had to be cancelled due to a lack of candidates.

Analysts described the outcome as a Pyrrhic victory for Norilsk Nickel since it blocked the election of a candidate it did not like, but the company's management failed to convince the voters to support its own favored candidate.

How fair was the decision to remove Melnikov? The Krasnoyarsk Krai court confirmed the Norilsk court decision on 15 May, however, there is still a chance that

the Russian Supreme Court will overturn the decision. According to the court decision removing Melnikov, he used 1.6 million rubles in campaign funds beyond what was allowed in his electoral fund. The spending limit for candidates in this race was 1 million rubles.

Melnikov's supporters claim that the court based its calculations on erroneous data. The court claimed that the printer A. Manchenko did not charge Melnikov enough for the fliers he printed for the campaign. Manchenko charges 30 rubles a sheet for laser printed flyers up to 1,000 copies. However, he printed 60,000 fliers on an offset press for Melnikov. This service was much less expensive per flyer, costing only 2.3 rubles a sheet. Nevertheless, the court's decision was based on the assumption that Melnikov should have paid 30 rubles a flyer for the 60,000 fliers that he received rather than the lower price.

Melnikov's supporters charged that it was not fair to remove the most popular candidate from the race on the basis of incomprehensible charges. They accused the city electoral commission, procurator, and court of ignoring the popular will in order to back political or corporate interests. Melnikov's supporters warned that his case had set a precedent in which it would be possible to remove other candidates that the authorities do not support in the future. - Arkadii Lyubarev in Moscow

REGIONAL ELECTIONS

CITY COUNCIL BY-ELECTIONS SHOW AYATSKOV'S WEAKNESSES. The 1 June Saratov city council by-elections in five districts showed that Governor Dmitrii Ayatskov is having great difficulty exerting his authority in his region and may have trouble winning allies in the State Duma in the upcoming December elections. In the June elections, Ayatskov had hoped for the victory of Deputy Governor Yurii Moiseev, who he had planned to run against Saratov Mayor Yurii Aksenenko, his political opponent. Moiseev's candidacy, however, was encumbered by a criminal investigation into his previous activities (see Russian Regional Report, 21 May 2003).

Ultimately, Moiseev pulled out of the race, claiming that he wanted to preserve political stability in the region. The mayor's candidate won in one of the districts, but in the other four the winners were "independents," candidates who were not supported by either the governor or the mayor. The main loser seems to be Ayatskov, who is no longer able to counter the attack of his opponents. If Ayatskov's position does not improve by the December elections, he may not secure a useful lobby in the Duma. - Ilya Malyakin in Saratov

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Russian Regional Report
(Vol. 8, No. 11, 10 July 2003)

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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Business and Politics
 Siberian Regions Battle Over Alcohol Production

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AFTER YAKOVLEV AND KOSTYA THE GRAVE

KREMLIN FACES NEW SITUATION IN PETERSBURG. In a period of months, the political landscape in Petersburg has totally changed. When Governor Vladimir Yakovlev lost control of the city legislature and his chances of running for a third term as governor slipped away, Presidential Envoy Viktor Cherkesov had completed his main job. He was recalled to Moscow and Valentina Matvienko took his place (see Russian Regional Report, 15 April 2003).

Then many observers pointed out that the stage was being set for Matvienko to run for governor. President Vladimir Putin clearly did not want a repeat of the gubernatorial elections of 2000, when Matvienko had to withdraw from the race after it became obvious that Yakovlev would win. Putin wants a St. Petersburg governor who will be completely loyal to him and who will be acceptable to the other Petersburgers in Moscow. At the same time, Matvienko is no longer capable of working at the federal level - Petersburg for her is an honorable exile and the job of envoy is simply a transitional position. If the plans to merge St. Petersburg and Leningrad Oblast ever go through, Matvienko could serve as the leader of the new enlarged region.

Some time in the beginning of April, Putin and Yakovlev made a deal that, in exchange for a federal post, Yakovlev would "give up" Petersburg after the 300th anniversary celebrations. And, on 17 June, Putin appointed Yakovlev as the sixth deputy prime minister handling housing reform and infrastructure development. Until the pre-term elections set for 21 September, First Deputy Governor Aleksandr Beglov will serve

as acting governor. With Envoy Matvienko's support, Beglov was elected the head of the regional Yedinaya Rossiya organization on 9 June.

Yakovlev's departure led to major changes within the city's journalistic community. On 23 June, the governor's last media bastion fell when Irina Terkina was forced to leave the position of general director of the Petersburg-5th Channel Television and Radio Company just one year after being appointed to the post. Professionally, Terkina had been a major success. She took over a station with 5.5 million rubles of debt and this year had already achieved 1.6 million rubles in profit. The station's ratings were going up, as were its advertising sales. On 11 July, the shareholders will appoint deputy head of the Rossiya-Petersburg channel as the new director. The change in leadership amounts to a hostile takeover of Petersburg-5th Channel since Rossiya-Petersburg has waged an unrelenting campaign against Yakovlev since 2000. Now the station will work for Matvienko and it will have no trouble extending its license during the next competition. The threat that the station would lose its license in the July 2003 competition was one of the main levers used against it.

St. Petersburg Legislative Assembly Speaker Vadim Tyulpanov's position is now shaky. With the departure of Yakovlev, the pro-governor deputies have thrown their support in with Matvienko and Federation Council Speaker Sergei Mironov (who set up a faction of his Party of Life on the base of Sergei Tarasov's faction, which had supported Yakovlev in the past). The new team in the envoy's office does not consider it necessary to stick the former agreement that Cherkesov had with Tyulpanov.

During June, Acting Governor Beglov replaced the pro-Yakovlev chairman of the City Electoral Commission Aleksandr Garusov with Aleksandr Gnetov, the former deputy head of the North-West Customs Service. This move will help smooth an electoral bumps Matvienko may face in the future.

On 25 May, just before Yakovlev resigned, Konstantin Yakovlev, better known by his nick-name Kostya the Grave and one of the uncrowned kings of the Petersburg crime world, was gunned down in Moscow. The nature of his killing is curious in two respects. First, though Kostya the Grave was always extremely careful about his security, on the day of his death he was traveling in an ordinary car. It is well known that in both Moscow and Petersburg, he had an armored Mercedes and his own security firm. He often claimed that "I am a professional. My business is war. As long as I fight, I will live." Kostya worked as an observer in St. Petersburg for Moscow crime interests and often helped settle complicated disputes among criminal groups, but in recent years had not been the target of any groups (at least as far as is known publicly).

Second, the work of the assassins in this case was extremely professional. They had access to shooting ranges for training and were able to hit their target from a moving motorcycle using a modified AK-47, which has a powerful recoil. Moreover, they knew exactly how the surveillance cameras at the nearby UN building functioned.

The first possible explanation of the crime suggested by the media was that the St. Petersburg-based Tambov organized crime group, and Vladimir Kumarin-Barsukov had organized the hit. This scenario seems unlikely. After Kumarin lost his arm in a 1994 attack, he has essentially stopped using such methods, especially in regard to figures as powerful as Kostya the Grave.

A second possibility is that the killing is the result of conflicts within Kostya the Grave's own empire. Kostya's informal deputy was Denis Volchek, the leader of the

Russian Sport faction in the city legislature and it is possible that he wanted to take over the top job. However, observers point out that Volchek mostly handles financial issues and probably would not have been able to organize such a professional shooting.

A third possibility is that Russia's special services have started a purge. The highly professional nature of the assassination and Cherkesov's assignment to clean up the city provide evidence for this theory. Now that Governor Yakovlev is leaving, his Kremlin-backed successor wants to have a free hand in the city and not have to make agreements with legalized criminals as equals (rather they should come on bended knee). Undoubtedly, the Moscow-based Petersburgers are psychologically prepared to use force against the city's criminal groups. Each of them remembers the humiliation and fear of the beginning of the 1990s when criminal groups attempted to influence all important decisions and projects.

Matvienko announced that she would seek election as St. Petersburg's governor on 24 June. Before then she had not put together a real campaign team that knew the city and wielded real influence. Of course, Muscovite PR specialists had boosted Matvienko's name recognition to 30 percent, bringing it up to Yakovlev's level. Three days later Putin announced that he supported Matvienko's candidacy, signaling others that it was time to back her.

So far the only viable candidate opposing Matvienko is Deputy Governor Ann Markova. However, it remains unclear how serious Markova's intentions are. She has long known Matvienko and it is possible that they made a deal that she would enter the race in order to increase popular interest in the competition and thereby ensure a higher turnout. State Duma member Oksana Dmitrieva decided not to enter the race, preferring to concentrate on winning reelection to the national legislature in December.

If no serious competitors against Matvienko appear in the near future and her campaign team does not make any serious mistakes, then she will likely win the race, perhaps even in the first round. - Daniil Tsygankov in Moscow and St. Petersburg

ILLEGAL IMMIGRATION

KRASNODAR SETS UP NEW IMMIGRATION SERVICE. An experimental immigration service began operations in Krasnodar Krai on 1 July. Similar services are functioning in only two other regions, Moscow city and Moscow Oblast. The federal government allowed these three regions to develop new ways of combating illegal immigration because they are some of the regions most heavily affected by the problem.

In Krasnodar, the federal and regional authorities both took the initiative in pushing for the right to set up the new service. After the collapse of the USSR, this border region became a major destination for migration flows from the newly established neighboring countries. In the beginning of the 1990s, the number of people coming to Krasnodar was 10 to 30 times the average Russian indicator. The large amount of uncontrolled migration in these years was a function not only of the economic attractiveness of the krai for residents of neighboring states, but also the de facto absence of migration legislation in the first years of post-Soviet Russia's existence. The uncontrolled migration caused many problems in the region, including falling labor prices, an increase in crime, a spike in the level of drug trafficking, a deterioration of the epidemiological situation, and an increase in ethnic tensions between permanent residents

of the region and new arrivals. In several cases, these conflicts turned into armed conflicts.

Governor Aleksandr Tkachev gave the order to set up the new immigration inspectorate at a meeting of the Krasnodar Krai Security Council in March. After Minister for Internal Affairs Boris Gryzlov approved the project, the krai began recruiting personnel for the new service. In general, the employees for the service hail from the other law enforcement agencies, particularly the police, Federal Security Service, anti-drug department, and others. In the course of its work, the new service is expected to deal with the various problems that often accompany illegal migration, including drug trafficking, arms running, and identifying and countering terrorist and organized crime groups.

Overall 400 individuals will work in the new service. Most of the staff will be based in areas experiencing the greatest influx of refugees, especially focusing on the parts of the krai that border on Georgia. The authorities are particularly concerned to stop the intervention of Chechen terrorists, who have allegedly set up bases on Georgian territory.

The first task for the new service is to investigate major enterprises in the region that often attract foreign workers. Inspections of several construction firms employing workers from Syria, Turkey, and Jordan did not reveal serious violations. Employees of the inspectorate believe that monitoring illegal flows among seasonal workers will be much more difficult. Because of the major inequalities in the living standards and wage scale between Russia and several neighboring CIS states, Krasnodar Krai is experiencing a major influx of seasonal workers, particularly in the agricultural sector. The krai authorities have essentially no ability to monitor these seasonal agricultural workers because of their large numbers and dispersion into remote and inaccessible locations. For these reasons, the brigades of migrant workers have long been a useful channel for international crime groups seeking to move small amounts of contraband, drugs, arms, and individuals wanted by law enforcement agencies in other countries.

Krasnodar, Moscow, and Moscow Oblast will effectively become a testing ground for the development of federal migration legislation. One year ago, on 3 July 2002, Putin signed a new federal law on citizenship. In doing so, the president noted the difficulty in applying the law in a way that would take into account the differing, and sometimes conflicting, interests of potential migrants, permanent populations of the regions, and the state. Additionally, there is no financial or technical base to support many provisions of the law. In particular, this lack of financing affects procedures envisioned by the law for arresting, detaining, and deporting illegal immigrants. The law does not define these procedures in any detail. Additionally, the federal budget did not include money to pay for these procedures. Regional budgets are not in a position to cover such expenses. Therefore, during its first year of operations, the service hopes to determine the approximate expenses required for carrying out its assigned tasks so that the appropriate sums can be included in next year's federal budget. - Mikhail Kirichenko in Krasnodar

STAVROPOL GAINS RIGHT TO SET LIMITS ON IMMIGRANTS. Stavropol Krai is the first Russian region to gain the right to set quotas for arriving immigrants, including Russian citizens, *Nezavisimaya gazeta* reported 9 July. The members of the krai legislature fought for seven years to gain this right. The krai procurator blocked

implementation of the law, asserting that it limited the right of citizens to freedom of movement and labor, but the Russian Supreme Court overturned these objections on 4 July, according to polit.ru. Stavropol Governor Aleksandr Chernogorov claimed that in recent years about one million immigrants came to the region, approximately one third of the krai's population, overwhelming the region's infrastructure.

According to the regional law, city councils now must tell the krai how many immigrants their municipalities can accept. However, the governor has the final say in setting the quotas. As *Nezavisimaya gazeta* pointed out, Moscow city has long sought to combat illegal immigration through the registration process, but has not succeeded because those seeking to skirt the system can usually do so for a small bribe. The law also makes no provisions for dealing with the numerous existing illegal immigrants in the region.

Chairman of the Krai Duma Yurii Gontar noted that in dealing with migration issues, federal legislation did not adequately take into account regional needs. He called on the federal government to monitor the situation in the regions to develop better federal laws (see *Stavropolskaya Pravda*, 8 July 2003, www.stpravda.ru/2003/07/08/2003-08-07.shtml). - Robert Orttung

POLICE TORTURE

MARIJ EL GROUP SEEKS TO REDUCE AGENCY'S USE OF VIOLENCE. On 26 June human rights groups in 12 regions held demonstrations supporting victims of torture and seeking to punish those responsible for such crimes. The groups have conducted similar actions since 2000. Additionally, the campaigners advocated legislative changes that would specifically criminalize torture, such as introducing specific articles into the criminal code punishing this practice. They also sought a law that would give social groups the right to monitor the application of human rights in prisons.

In Marii El, the group Man and Law organized the campaign "Together Against Torture." Group members put up posters and handed out flyers entitled "I know my rights." The flyer explains how to conduct yourself with police officers if you are arrested and lays out each side's rights.

Torture during police interrogations is commonplace in Russia. In Marii El, typically it is used on people arrested for selling or possessing drugs, robbing apartments, and murders resulting from domestic arguments. Generally, the law enforcement agents in these cases are convinced of the guilt of the people they have arrested: 95 percent of the people subjected to torture are subsequently found guilty of the crimes for which they were arrested.

Torture in these cases results from the low professional level of the agents dealing with the accused. In the Marii El branch of the Ministry of Internal Affairs about half of these employees do not have higher education. Often there are numerous legal violations when a person is arrested: the protocol is not filled out correctly, evidence is not taken properly, etc. The court returns many cases for additional investigation or they are simply closed for a failure to follow appropriate procedures. Under these conditions, the police view torture as a useful way to secure a confession from the accused. This process is not particularly imaginative, with the police typically beating the victim or in rare cases,

using the so-called "elephant" - forcing the victim to wear a gas mask and then close off his "trunk."

The procurator and society only rarely pay attention to these crimes committed by the law enforcement agencies. Most people have a negative opinion of those arrested and generally presume that they have committed a crime even before the court rules on their case. One example is illustrative. In January 2003, during the first jury trial held in the region hearing charges of murder, a witness tried to bring up the fact that one of the investigator's broke his leg during his preliminary questioning. However, the judge, procurator, state defender, and members of the jury all ignored this fact.

By 10:30 on 26 June members of Man and Law began handing out their brochures near the Central Market. Within a half an hour, a policeman came up to the group (without identifying himself - a violation of the law) and requested a brochure. He returned within ten minutes and asked Man and Law co-chairman Sergei Poduzov and employee Dmitrii Yegoshin to return to the station with him. The police asked who had authorized the distribution of the flyer. The members of the organization explained that they did not need a permit, but all attempts to convince the police of this point proved fruitless. The policeman cited Poduzov for distributing the flyers, even though a 1999 Russian law specifically permits the distribution of such flyers. - Vyacheslav Zykov in Yoshkar-Ola

STREET CRIME

CRIME FIGURES JUMP IN ULYANOVSK. During the first four months of 2003 the level of street crime in Ulyanovsk spiked upward 172 percent over the same period one year earlier and stabilized only in May. What caused this jump?

Ordinary citizens in Ulyanovsk suggest a variety of reasons, including: "we voted for people who don't care," "young people drink too much," "there is nothing for young people to do," "the laws are inadequate," "young people want to live richly but not work, therefore they rob people on the street," "the economic situation in the oblast is a complete mess - if people had good work and salaries, they would commit fewer crimes."

However, law enforcement agents claim that the increase in crime is directly connected to the small number of police patrolling the streets. People behave differently when they see police around, officers argue.

Thanks to meager salaries and the low prestige of police work, 40 percent of the Ulyanovsk police ranks remain unfilled (some figures put this number at 60 percent). For a salary of 3,500 to 4,000 rubles a month (about \$130), the average cop now must serve a precinct of 10,000 residents, twice the norm in Russia.

Another problem is that one fifth of Ulyanovsk's street cops are now on duty in Chechnya and Dagestan, according to the head of the department for preserving social order Vladimir Dolnikov.

The most common street crimes committed are hooliganism, theft, and robbery. According to Dolnikov, the force lacks at least 160 street cops. Only 6 percent of the working cops actually have uniforms. During the last three years, the street patrol service (PPS), which is financed from the oblast budget, did not receive any new cars, even though many of the current cars should have been retired last year. There should be 30 cars patrolling the city daily, but now there are only 10-12.

The growth in the crime rate coincided with the city's need to turn off its street lights because of the municipality's enormous debts to the electrical utility. Local Police Chief Valerii Lukin and Chief Federal Inspector Aleksandr Ivanov believe that the failure to light the streets is one of the main factors in the crime wave. Supporters of this theory point out that it is easier for criminals to operate in the dark. Sixty-five percent of crimes are committed between 5 pm and 1 am, mainly after the sun goes down. However, representatives of the local utility note that "In America, everything is lit up, but they still have crime."

In May the city managed to pay part of its debts and made an agreement to turn the lights back on. However, these funds are again running out and it is possible the lights will soon go out again. - Sergei Gogin in Ulyanovsk

BUSINESS AND POLITICS

SIBERIAN REGIONS BATTLE OVER ALCOHOL PRODUCTION. The decade of Yeltsin's reforms condemned most Siberian regions to financial destitution. The Siberians' first response was to work together, especially through collective agencies such as the Siberian Agreement Interregional Association. However, at the same time, the regions began competing with each other in order to receive federal subsidies and foreign investment. In recent years, alcohol production has become a particularly active area of competition between regions.

Such competition is not surprising because the sales of alcoholic beverages make up a substantial share of regional budgets. Naturally regions try to prevent producers located outside of their borders from selling their products on their territory. Such sales put pressure on local producers and reduce a region's budgetary income.

Until 1 January 2003, regions received 50 percent of the fees from sales of alcohol imported from other regions, while they received 100 percent of the fees from alcohol produced in their own region. Naturally such a system predisposed regions not to like outsiders encroaching on their territory. Since 1 January, the tax on production goes fully to the federal budget, while the warehouse tax goes to the regional budget. However, this change did not improve the situation, and regional governments remain strongly interested in supporting local producers, who produce jobs and numerous other benefits for the local economy.

The health of the local alcohol industry varies from region to region across Siberia. Generally producers in Altai Krai, Krasnoyarsk, Novosibirsk, Tomsk, and Kemerovo are doing badly. Tyumen, by contrast, is one of the more successful regions. Production increased 45 percent in 2002 and the growth continues in 2003. While two years ago, Tyumen was an outsider in alcohol production, it is now one of the seven largest players on the alcohol market in Russia. The secret of success in this case was that the oblast administration invested 120 million rubles in the development of the industry (Tyumen Regional Internet Newspaper, www.vsluh.ru, 7 October 2002, 10 February 2003, and 18 April 2003). Obviously not every region can make such an investment.

Siberia's "vodka kings," many of whom are members of their regional legislatures, are growing nervous. They are more frequently calling for regional protectionism in various newspaper articles. Pointing to the experience of Omsk, Tomsk, Tyumen, and Keremovo, which have "practically blocked Novosibirsk sellers from their

markets," Sibirskii Balzam President S. D. Pronichev called for closing Novosibirsk's markets in order to protect local interests and secure income for the budget even though such a move would be illegal (*Vechernii Novosibirsk*, 19 September 2002). Krasnoyarsk Deputy R. Karmazin made the same point (*Krasnoyarskie novosti*, 12 December 2002).

The executive branch authorities are starting to react, adopting market-based and administrative measures to fortify their local alcohol industries. In some cases, such as in Tyumen, the regional government is investing directly into the alcohol factories. Such efforts are not always successful though. For a period of six years, Tomsk invested 200 million rubles in a factory to make cheap spirits to meet the needs of local producers, but the plant never turned a profit and now the oblast is looking to unload it to private owners.

In some regions, formerly competing businessmen are working together to defeat outsiders. The Tyumen Vodka partnership, for example, brings together 18 firms. In December 2001 in Krasnoyarsk, the company Rosspirtprom Sibir brought together four companies. In February 2003, Rosspirtprom confirmed its intention to set up a corporation in Altai Krai including 5 firms in which the state has a controlling packet of shares. Such moves, however, do not always lead to positive results. Krasnoyarsk's Rosspirtprom Sibir, for example, has no legal relationship with the federal Rosspirtprom and gained control of one of the local factories illegally (without the agreement of the Russian government, which is one of the main owners of the factory).

Overall, the intense competition between the Siberian regions over alcohol income is making them vulnerable to the self-interested manipulations of federal politicians. Local authorities are ready to use almost any means, including illegal ones, in order to protect their alcohol income. "Vodka protectionism" thus is providing fertile grounds for tyranny, corruption, the combination of the political and business elites, and increased pressure on the already weak market system.

On the other hand, the Siberian regions' battle over alcohol production does not seem irreversible. The price difference between well and poorly supplied regions in Siberia is not great and certainly not as large as the dumping prices charged for alcohol produced beyond Siberia. Such an outside enemy could encourage the Siberian regions to work together. There are some small signs of regional unity. A meeting in December 2002 brought together the managers of the alcoholic beverage factories from across the Siberian Federal District to analyze the financial affairs of the factories, measures to prevent their bankruptcy, and overall problems on the market. Such fear of an outside competitor may help ensure the unity of the Siberian regions. - Grigorii Olekh in Novosibirsk

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COMMENTS AND QUESTIONS

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Russian Regional Report
(Vol. 8, No. 12, 22 July 2003)

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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BUSINESS AND POLITICS IN THE REGIONS

ROSTOV GOVERNOR DEFEATS LOCAL OLIGARCH. Rostov Governor Vladimir Chub has scored a decisive victory against long-time rival, local businessman Sergei Bidash. Bidash has now lost control of the Taganrog Krasnyi kotelschik (Red Boiler) factory to the Moscow-based SIGMA financial-industrial group. Additionally, he soon may face criminal charges.

This case provides a useful study of how the Rostov oblast administration operates and the system of values it uses in adopting decisions (for earlier discussions, see Russian Regional Report, 21 May 2003). Overall, the oblast leaders subscribe to a worldview that sees any form of economic conflict as an abnormal phenomenon that could destroy the positive image of the region, making it less attractive to investors (particularly foreigners). They simply do not understand that conflict is a natural, inalienable part of a free market economy and that the lack of mechanisms to resolve economic disputes in a civilized manner, including independent courts and a free press, do considerable damage to the region's reputation. Additionally, there is a chronic lack of transparency in the oblast administration's decision-making.

In Rostov, as elsewhere in Russia, a businessman is only successful to the extent that he manages to maintain good relations with the governor. Bidash's troubles began when he said in an interview that he planned to run for governor's office in the future.

The campaign against Bidash is closely tied to the up-coming Duma elections, which will give the governor and his team a chance to remove the only remaining visible political opposition in the region, Communist State Duma Deputy Nikolai Kolomeitsev. The governor has already defeated the so-called Taganrog Opposition and marginalized

political parties in the oblast. However, working against Kolomeitsev will not be easy since Kolomeitsev is extremely popular in his electoral district and is well financed. Most likely the battle between the governor's team and Kolomeitsev will be the main story during the Duma elections in the region. - Aleksandr Krasnov in Rostov-na-Donu

COUNTDOWN TO THE DUMA ELECTIONS

MOSCOW ORDERS KOMI TO REORGANIZE YEDINAYA ROSSIYA.

Following orders from the Moscow party leadership, the Komi branch of the pro-presidential Yedinaya Rossiya party elected Anatolii Karakchiev, the head of the New Financial Initiatives firm, as the leader of the republican chapter of the party on 20 June. The former leader, State Duma member Aleksei Tomov, was given the respectable, but less important, position of deputy chairman of the interregional coordinating council of the party's Northwest division (*Molodozh severa*, 13 June). The events of 20 June dramatically changed Komi's political landscape.

Several groups were interested in the leadership of the republic's Yedinaya Rossiya party branch: the party leadership in Moscow, Komi's governor Vladimir Torlopov, the republic's businessmen, and the republic's opposition. Until recently Torlopov had been reasonably successful in getting his policies through the regional legislature (of which he used to be the speaker) and was removing allies of former Governor Yurii Spiridonov, replacing them mainly with people from outside the republic who would be loyal to him. Torlopov naturally hopes to gain reelection in the 2005 republican gubernatorial elections. This was the logic behind the removal of Federation Council member Rakhim Azimov, the dispatch of former Chief Federal Inspector Aleksei Grishin to Moscow in his place, and the removal of the governor's young, competent, and ambitious economic advisors Yevgenii Leskin and Yurii Kolmakov. This was also the logic behind the governor's efforts to remove Tomov from the leadership of the republican branch of the country's current "party of power" Tomov (*Stefanovskii bulvar*, 30 May-6 June).

Governor Torlopov had hoped to appoint one of his allies in Tomov's place and strongly opposed the selection of the ultimate winner, Karakchiev (*Molodozh severa*, 26 June). At a 23 June press conference, Karachiev did not deny the possibility that he might run for a seat in the State Duma in December and declined to answer questions about whether he would seek the governorship in 2005 (KRTK, "Mestnoe vremya," 23 June). He also made clear his intentions to bring more industrialists into the party ranks and described plans to set up an "economic council." He said that he would combine his business activities with party work (*Moskovskii komsomolets v Komi*, 25 June-2 July).

The pro-gubernatorial press described Karachiev's election as the beginning of a "second civil war among the republic's elite," the first being the election of Torlopov himself in place of former governor Spiridonov (see *Ekspress-nedelya*, 26 June-2 July). Karachiev can clearly take advantage of the difficult economic conditions in the republic to draw on the strong protest electorate in criticizing the governor's activities. While labeling the current situation a civil war is clearly an exaggeration, the political conflict in the upcoming fall campaign promises to be intense.

Moscow had obvious reasons to back Karakchiev as the new party leader. During his campaign, Governor Torlopov ran with the support of Yabloko and the Union of

Rightwing Forces (SPS) and high-level officials from these parties have met with him several times since his election. Naturally the federal Yedinaya Rossiya leaders assumed that the governor would not use the resources of his office to back their party, backing Yabloko and SPS instead. Such concerns were partly behind Presidential Envoy Valentina Matvienko's criticism of affairs in the republic during her recent visit (see Russian Regional Report, 23 April and 21 May).

Karakchiev brings numerous resources to his position as party leader. First, he has considerable experience conducting campaigns in the republic. Second, he has good relations with businessmen in the republic and beyond its borders. Third, while not participating in politics directly, Karachiev has recently helped elect several members of the regional legislature, creating a strong group of allies there.

Against the background of numerous Russian (SUAL, MDM, Gazprom, Lukoil, Rosneft, Severstal) and foreign big businesses seeking to expand their holdings in the republic, the groups supporting Karachiev want to secure a significant sector of the market for local business. Numerous industrial groups in the current republican legislature would support Karachiev if he consistently works to protect the interests of the republican business community. Karachiev has already scored successes with firms providing technological support in the forestry sector and large retailers selling consumer goods. Following his example, other investors have started to pump money into areas of the economy that are free from Moscow's influence and are likely to provide large profits in the future. In particular, local investment companies are buying up all the large firms dealing with automotive transport since several large projects now in the works are likely to require the services of these firms. In general, many local economic interests feel that they need to unite, find a leader, and set up an independent political force. With the entrance of Karachiev into public life, there is a new combination of political forces outside the existing system.

Even before Karachiev's election as party leader, Komi politics was in turmoil. While the regional legislature under Spiridonov and the early part of Torlopov's tenure was mainly loyal to the governor, it is now becoming more of an independent player under its speaker Ivan Kulakov, who won the position despite Torlopov's initial opposition. As Kulakov grows stronger, naturally the governor's position will be weaker. - Yurii Shabaev in Syktyvkar

MOSCOW PURGES KURSK'S YEDINAYA ROSSIYA. On 10 July, the Yedinaya Rossiya General Council voted to expel four well-known Kursk politicians from the party: Kursk Mayor and oblast legislature member Sergei Maltsev, oblast legislature members Vladimir Kartamyshev and Sergei Vasilev, and businessman Vladimir Losev. Why did the party leadership make a move that drops the party's representation in the regional legislature to 25 percent (the Communists control 65 percent of the seats) and strengthen the division within party ranks?

Regional Political Council Chairman Aleksandr Chukhraev provided the official explanation, claiming that the expelled members "violated the party charter and took actions discrediting the party (Kursk Television, 11 July)." At the beginning of 2003, Kursk Mayor Maltsev ordered his subordinates and those dependent on the city budget to sign up 3,500 party members as quickly as possible. According to the Seim television station (14 July), the director of the city's education department assigned each school

director a quota of how many teachers should enlist in the party. Similar events occurred in municipal heating stations and other enterprises. Maltsev met his targets within six months, signing up those who actually supported the party and those who didn't. In the process, many complained to the oblast procurator, saying that they were forced to join the party under threat of not receiving bonuses at work or reductions in their salary. There had not been attempts to force people to join political parties since the communist era and the revival of these practices struck a sensitive public chord.

According to the four members of the party who lost their positions, the expulsions were the result of their efforts to put together an extraordinary regional party conference, which criticized the work of the regional political council. The former council was disbanded and a new one elected in its place. In response, Moscow supposedly decided to expel the rebellious members of the party. Moscow has little to lose in such a move since Yedinaya Rossiya has little authority in Kursk.

In defending the expulsions, Chukhraev claimed that the party deals harshly with members of the regional elite who join the party simply to cover up the fact that they do nothing in their official positions to help their regions. Chairman of the Central Executive Committee Yurii Volkov recently announced that the party would purge its ranks of ineffective bureaucrats and inactive members.

The recent removal of Ivanovo Mayor Aleksandr Groshev from the party provides another example of the implementation of this new policy. In that case, the party charged that the mayor was trying to split the party's ranks, had failed to win the support of the majority of the population, and could not adequately prepare Ivanovo for the upcoming winter (*Izvestiya*, 17 July). - Sergei Sarychev in Kursk

CONFERENCE ON CRIME AND CORRUPTION

On 30 June-1 July Irkutsk hosted a conference on "Combating Transnational Organized Crime and Corruption" organized by the Irkutsk Oblast Administration, the US Department of Justice, the Russian Association of Law Enforcement Agency Workers, TraCCC-Irkutsk, and several other organizations. Summaries of presentations made at the conference (in Russian) are available at the TraCCC-Irkutsk web site: www.isea.ru/sait The presentations dealt with organized crime, human trafficking, money laundering, and Russian attempts to reduce corruption. Below is a summary of one of the articles describing general crime trends in the CIS.

TRENDS IN TRANSNATIONAL ORGANIZED CRIME IN THE CIS

By G. M. Gevorgyan, doctoral candidate at the Moscow State Juridical Academy

Transnational organized crime in the Commonwealth of Independent States (CIS) is one of the most dynamic segments of organized crime in the world today. Beyond its general efforts to expand, the following trends are visible in this sector of organized crime:

-- building influence within the legal economy, particularly in countries where legislation is not particularly demanding about the legality of sources of external investment;

- developing a specific niche in the international criminal economy, particularly in the illegal arms trade, video and audio piracy, and human trafficking for the purpose of sexual exploitation;
- constructing a multi-level "criminal bridge" between east and west as a means of transporting drugs;
- creating fictitious economic entities to launder illegal sources of money which cannot be legalized in the countries where they were received because of strict monitoring;
- the beginning of a second stage of criminal consolidation in which, as a result of the elimination or absorption of a large number of small organized groups, the remaining groups operating in the CIS are increasing efforts to coordinate their efforts and work out differences among themselves. Since the collapse of the USSR, the number of meetings held by the organized crime groups in the CIS has increased 20 times.

Analyzing these trends leads to the following conclusions:

1. At the beginning of the 21st century, a unified criminal society may appear in the CIS performing functions in the economic, political, and even ideological spheres left unfulfilled since the collapse of the Soviet Union;
2. There is a strong possibility that Russia and Ukraine will become major consumers of drugs during the next 5-7 years;
3. Changes in international investment policies, making possible greater investments in the CIS, could encourage the appearance of new channels for laundering money, passing through various CIS black markets, for ultimate cleansing in Moscow. Most likely considerable amounts of shadow capital will be reinvested in the CIS. Such an outcome would be particularly likely if the majority of CIS countries, like Kazakhstan, announce tax amnesties for those who illegally exported their capital.

While the organized crime groups of the CIS have become an inseparable part of transnational crime, their influence on the international crime situation can hardly be considered decisive.

REGIONAL ELECTIONS

TVER ELECTS NEW MAYOR. On 6 July Tver voters elected businessman and city council member Oleg Lebedev as their new mayor, filling the vacancy following the untimely death of former Mayor Aleksandr Belousov. Lebedev won a decisive victory in a field of 18 candidates with 24.7 percent of the vote and a turnout of 36.8 percent of the voting age population.

Lebedev had the strong support of the city's opposition because he had spent much of his career criticizing the policies of the Belousov administration (*Karavan*, 9-16 July). He also had the backing of Tver Governor Vladimir Platov, who had difficult

relations with the previous mayor. In the final stages of his campaign, he also had the financial support of Lukoil, which is apparently interested in oblast fuel supplies and developing a chain of gas stations in the city.

Additionally, Communist voters backed Lebedev rather than the party's official candidate Aleksei Azarev, despite publication of information about Lebedev's high income and various compromising materials about his business activity. In not electing former First Deputy Mayor Sergei Isaev, voters showed their unhappiness with the previous administration and its close ties with the city's "oligarchs." Isaev came in third with 15.04 percent. These businessmen hoped to preserve the status quo in which the city worked with them by allowing them to rent their premises at relatively low rates. Voters also passed over the relatively unknown General Vladimir Babichev, who had strong financial support from the pro-Kremlin Yedinaya Rossiya party. He came in second with 16.02 percent of the vote.

Coming to power on the basis of a populist campaign, Lebedev is unlikely to be easily manipulated by the governor. As a former military officer and experienced businessman, he has larger political ambitions. However, it remains unclear how he will implement his election program. The voters are extremely fickle and Lebedev will need significant resources as well as stable political ties to powerful forces in the oblast and country to succeed in his new office. - Boris Gouman in Tver

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Russian Regional Report - Special Edition
(Vol. 8, No. 13, 23 July 2003)

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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CENTER-PERIPHERY RELATIONS

BASHKORTOSTAN, TATARSTAN WEAKEN PUTIN'S REFORMS. In a 17 July ruling, the Russian Constitutional Court handed down a decision that could undo much of the work that the Putin administration has accomplished in bringing regional constitutions into line with federal norms. The ruling says that only the Russian Constitutional Court can determine whether regional constitutions violate federal norms. Giving this court such exclusive power will have the practical effect of allowing regions to adopt almost any law they want with little fear of a federal response.

In the middle of June, the parliaments of Bashkortostan and Tatarstan asked the Russian Constitutional Court to decide if Russia's courts of general jurisdiction could examine cases to determine whether regional constitutions were in line with federal norms. As the speaker of the Bashkortostan legislature Konstantin Tolkachev claimed, many regions supported their efforts to "achieve justice."

On 17 July, the court ruled that procurators did not have the right to file cases with the courts of general jurisdiction questioning the constitutionality of regional constitutions and that judges in these courts did not have the right to rule in such cases. In doing so, the court overturned parts of the civil procedure code and the federal law on the procurator. Since Putin came to power, these courts have overturned hundreds of provisions in regional constitutions and charters that did not conform to federal legislation. The Russian Constitutional Court ruled that only it can declare passages of regional constitutions and charters in violation of federal law. Tolkachev described the court decision as "revolutionary."

Chairman of the Constitutional Court Valerii Zorkin declared that even if a regional constitution violated federal law, that "is not sufficient grounds to declare that passage of a constitution invalid and therefore not worthy of being enforced. The constitutions and charters of the Russian regions are special founding acts, like the Russian Constitution," he said in explaining the court decision, "and therefore they cannot be examined by civil or administrative courts. Only constitutional courts can assess their validity."

When the Constitutional Court examines a regional constitution all 19 judges on the court participate in the process. When the courts of general jurisdiction examine a regional constitution, typically one judge, who is a specialist in civil or administrative law, rather than constitutional law, makes the decision. The Constitutional Court ruled that the courts of general jurisdiction can only overturn parts of regional constitutions that have already been declared unconstitutional in the basic laws of other regions. In all other cases, the Constitutional Court has to make the decision.

The court decision made clear that its ruling does not automatically overturn the earlier decisions of the Russian Supreme Court and the other courts of general jurisdiction about the unconstitutionality of various clauses in regional legislation. However, it did not exclude the possibility of filing suit to ask the Constitutional Court to reevaluate these decisions. Bashkortostan legislative Speaker Tolkachev said that the members of the republican parliament will use this opportunity to seek to overturn previous decisions finding provisions of the republican constitution unconstitutional in the fall, when the deputies return to work. The Bashkortostan Supreme Court had declared about 30 articles of the republic's constitution unconstitutional at the request of the republican procurator.

Following up on earlier court decisions, Bashkortostan adopted a new constitution in December 2002. The Constitutional Court's decision now makes it possible to return to some of the most difficult issues then under consideration. In particular, the republic wants to revive the discussion of the term "sovereignty," a concept the Putin administration found particularly offensive when applied to a region inside the federation. Tolkachev noted that the recently adopted Chechen constitution includes both the concepts of "sovereignty" and republican citizenship. Tolkachev suggested that in the fall the republican legislature could try to restore some of these concepts that had earlier been rejected by the Russian Supreme Court.

Tolkachev also said that it was useful that the courts of general jurisdiction will no longer have the ability to determine whether regional constitutions are in line with federal laws. Federal legislation is extremely unstable because the State Duma adopts more than 600 laws a year, creating a constant threat of revisiting passages of the republican constitutions.

Despite this decision, procurators will still play an important role. They now have the power to file cases with the Constitutional Court. As Zorkin explained, the general procurator now has the "right to appeal to the court seeking abstract guidance on norms (*v poryadke abstraktnogo normokontrolya*)." Thus it can protest any legal act, but the court will have the last word. This decision will undoubtedly be controversial because the judges have basically changed article 125 of the Russian Constitution, which lists the bodies that have the right to appeal to the Constitutional Court. The general procurator does not appear in this list.

The court's decision is certainly sensational: since the establishment of the seven federal okrugs and the creation of the presidential envoys in May 2000, federal policy has been aimed at bringing regional constitutions into line with federal norms. The procurators in the federal okrugs were supposed to monitor the situations in the regions and take the initiative in bringing regional legislation into line. The battles were particularly hard-fought in the Volga Federal Okrug, where Bashkortostan and Tatarstan are located. During the last three years, the Kremlin forced these two republics to rewrite

dozens of republican laws, particularly legislation affecting budgetary processes and allowing the republics to distribute federal tax income gathered on their territory.

Now the Kremlin will have a much more difficult time countering regional legislation and regional efforts to restore laws that they earlier had to give up. It will be much harder for the Constitutional Court to deal with the numerous regional laws that might violate federal norms than it was for the courts of general jurisdiction. Generally, the court only rules on 20-30 cases a year. One judge noted that now the court is examining cases that were filed in 2001. Since it will take the court years to rule on specific cases, regional authorities will be able to adopt and implement any laws they want with little fear of federal action. - Igor Rabinovich in Ufa

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Russian Regional Report
(Vol. 8, No. 14, 12 August 2003)

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COMBATING NARCOTICS

NEW ANTI-DRUG AGENCY LAUNCHES REGIONAL OFFICES. Starting 1 July Russia officially began merging its regional tax police departments (UFSNP) and anti-drug police units (MVD) into the regional departments of the State Committee for Combating Drug Trafficking (Gosnarkokontrol - GNK). President Vladimir Putin authorized the creation of GNK with a staff of 40,000 officers, modeled on the US Drug Enforcement Agency, on 11 March 2003, when he simultaneously abolished the tax police. Putin appointed Viktor Cherkesov, former presidential envoy in the NorthWest Federal Okrug, to head the new agency and allocated generous funding for such expenditures as chemical laboratories and the retraining of officers.

In creating the new agency, most regional branches simply beefed up the former tax police structures with operatives from the MVD's anti-drug units. This approach appears to be the one employed in all regions where Putin appointed the former regional tax police chiefs to head the new anti-drug police departments (Astrakhan, Ivanovo, Volgograd, and all regions of the Siberian Federal Okrug).

In Krasnoyarsk Krai, for example, Putin kept former regional tax police chief Anatolii Samkov to head the 800-member anti-drug department. Samkov, in turn, retained most of his subordinates, supplementing them with officers from the regional MVD's anti-drug units. Currently, three-quarters of the Krasnoyarsk GNK department, which is almost fully staffed, are former tax policemen, and the rest are former MVD officers. Since most of the new agency's employees will continue to work in the city of Krasnoyarsk, a main drug distribution center but nevertheless a city with reasonably high living standards, managers had little difficulty quickly recruiting members for the anti-drug units. According to Samkov, the city accounts for 60 percent of the illegal drug

trade in the region, while Krasnoyarsk Krai numbers in the top 20 of all Russian regions in terms of drug-related crime. In addition, Krasnoyarsk suffers from the influx of drugs from Tyva Republic, a major drug cultivation area, on the southern border of the krai.

In regions where Putin has yet to appoint the regional anti-drug department chief, the process of recruiting staff for the new departments is going slowly since the new chief, once he is appointed, would likely replace the tax policemen with his own subordinates. For example, Putin has not appointed the head of the Moscow City anti-drug department, the largest in Russia. There 20 percent of the planned 2,000 officers remain to be hired. Putin likewise has yet to appoint the anti-drug department chief in Bashkortostan. In early July, Putin transferred Ivan Ivanov, the former Bashkortostan tax police chief, to head the GNK Directorate for the Urals Federal Okrug and now Bashkortostan's 700-member anti-drug department lacks half of its staff. Unlike in Krasnoyarsk, Bashkortostan's drug-fighting units are going to be located in the rural areas on the border with other regions to prevent drug trafficking into the republic. Naturally, law enforcement officers are reluctant to accept the poor working conditions in these rural areas.

The Astrakhan Oblast unit faces a similar challenge: 90 percent of the region's narcotics arrive from Central Asia, so it makes the most sense to deploy anti-drug officers on the border. Yet, as recently appointed anti-drug chief Vyacheslav Ovechkin announced, his agency is only 71 percent staffed. Ovechkin faces this problem even though he was the former head of the region's tax police. In Amur Oblast, the anti-drug department has not even started to hire officers outside of the tax police. Valerii Sazhin, head of the Irkutsk Oblast anti-drug department, announced that his department has hired only 60 officers. Most of them came from the regional tax police. However, 80 tax police officers refused to join the new anti-drug department. There are over 16,000 drug addicts in Irkutsk Oblast.

That each region has to work out its own priorities to combat and prevent drug trafficking makes sense. How well each anti-drug department performs its duties will be another element of variation among Russian regions. Differences in staffing patterns and challenges in uniting the staff of the new anti-drug departments will determine the capacity of these agencies and contribute to the different levels of development among the regions. It remains to be seen if the network of former tax police chiefs will contribute to inter-regional cooperation in combating the Russian drug trade. Another challenge is to overcome the competition among law-enforcement agencies, which remains acute, according to GNK deputy chief Aleksandr Mikhailov. Currently, the new anti-drug departments must coordinate their efforts against drug trafficking with the MVD's anti-organized crime units (UBOP) and Federal Security Service (FSB) units. - Alexei Trochev

REGIONAL ECHOES OF YUKOS EVENTS

KOMI AUTHORITIES LOOK TO BIG BUSINESS FOR MORE INCOME. Komi Governor Vladimir Torlopov is seeking a solution to the numerous problems facing his northwestern republic. Torlopov came to power two years ago and his administration has gone through numerous changes since then. At the end of July the three deputy ministers of industry handling coal, forestry, and oil left office. While the governor claimed that

these departures were connected to an on-going administrative reform, they really reflect a wholesale change in the functions of the regional government.

The existing administrative system can simply not handle the challenges presented by Russia's new system. On one hand, as of this year private companies now control the main sectors of the republic's economy. Lukoil dominates the republic's oil industry. The Severstal Group now owns the Vorkuta coal region and controls the mines of Inta since the state's shares, which have yet to be sold, have been transferred into this company's management. With its purchase of the Syktyvkar Forestry Industry Complex the Austrian firm Neusiedler now controls much of the forestry industry. These private firms do not need the state's tutelage for their business activity.

On the other hand, the federal government has taken over many of the responsibilities and taxes of the republican and local authorities. Since Moscow took over the process of issuing licenses for developing natural resource deposits, the republican Ministry of Industry has only monitored these processes and no longer plays an active role (*Versiya v Komi*, 16-22 July). Additionally, the federal government has taken a greater share of the tax revenue. Next year it will also abolish the sales tax, the proceeds of which currently go into the regional budget. This measure will subtract an estimated 300 million rubles from a republican budget that is already in deficit.

As a result of these changes, the republican authorities have to find new ways of paying for health care and providing basic municipal services.

Among the solutions the republican government has chosen are reevaluating its relationship with some of the largest corporate tax-payers in the region. In particular, the government has sought more revenue from Lukoil, which has long had the reputation of not paying its full share of taxes. The situation is difficult for Torlopov since Lukoil helped him win election. However, the company has avoided taxes by transferring assets among its various divisions at unreasonable corporate prices and many of its subsidiaries were registered in scandal-plagued offshore zones.

However, Putin's recent attack on the oligarchs at the federal level has allowed the republican authorities to take greater action. On 21 July Lukoil President Vagit Alekperov and Governor Torlopov signed Protocol #2 to the Cooperation Agreement between the republic and the company. This protocol sets out ways to increase the amount of money the company pays into the republican budget by reducing the use of corporate pricing. Some reports claim that the payments will increase by a factor of three (*Molodezh severa*, 24 July). The republican government hopes to use this precedent in revisiting its agreements with other large corporations working in the region (*Versiya v Komi*, 23-29 July).

Komi has similar agreements with all large companies. The republic is now trying to assign particular social functions to these companies in order to reduce the burden on the republican budget in paying for these expenses. For example, during his recent visit to the republic, Severstal leader Aleksei Mordashov signed an agreement requiring the company to pay its taxes on time, take care of all back wages due miners, and support various social institutions in the city (*Respublika*, 16 July). However, there is a limit to the obligations that the companies will take on. For example, they will not pay for transferring miners' families from Vorkuta and Inta to other regions, and there are simply no funds to cover these expenses.

Raising significant new funds will require extensive new investments in the republic. Lukoil and Severstal are looking at potential new projects. Additionally, locals have great hope for developing the aluminum industry in the region in coordination with the Russian firm SUAL (*Moskovskii komsomolets v Komi*, 2-9 July).

So far, unfortunately, economic growth has not spurred similar improvements in the social sphere. In the first half of 2003, industrial production grew 2.7 percent, while there were no real improvements in the health care system. Additionally, wage arrears to the coal miners continue to grow. The governor has to show that he can get a handle on the economic situation in the region or his days in power are clearly numbered. - Yurii Shabaev in Syktyvkar

TERRORISM AND THE STATE

ULYANOVSK BOMB FIND RAISES QUESTIONS. A bomb found on 18 July at Ulyanovsk's central market and the resulting coverage in the local and national media provides a way to check on the law enforcement agencies' ability to combat terrorism. At least, that is the way *Argumenty i fakty v Ulyanovske* described the incident one week later, noting that the police had claimed to have prevented an attempted terrorist attack.

The police received a call warning them about the discovery of an explosive device around 5 pm and the market was immediately evacuated. The device included 1.2 kilograms of TNT and numerous small nails. The bomb squad determined that the device had not been armed, but that it would only have taken someone ten minutes to do so.

The oblast procurator is still investigating the incident, which it has defined as an effort to commit terrorism. Investigators quickly rounded up 60 individuals for questioning, some of whom were not registered to live in the region.

Argumenty i fakty v Ulyanovske has pointed out a number of facts, which raise concerns about the case. According to the authorities' public statements, they found out about the bomb from passers-by, who overheard a conversation between "two people from the Caucasus" about an upcoming terrorist act. However, the paper points out, plotters seriously expecting to commit an act of terrorism would not discuss it in a place where they could be overheard. The newspaper also found it strange that the Deputy Minister of Internal Affairs General Ivan Golubev, speaking the next day at a meeting of ministry officials working in the Volga Federal District, said that he was not aware of the device and had only heard about the incident from journalists. The failure to inform the high ranking ministry official and Ulyanovsk Governor Vladimir Shamanov's calls not to "exaggerate" the danger posed by the terrorists reminded the journalists of the 1999 incident in Ryazan, when the explosive material hexogen was found in the basement of a building, but the authorities brushed it off as simply a training exercise to deal with a potential act of terrorism.

Senior Aide to the Oblast Procurator Vasilii Zima rejected this version of events. He noted that a criminal case has been filed, a clear indication that this was not a training exercise. He dismissed the reports that the information had come from a witness overhearing a conversation and said that the information had come from one of the ministry's sources. Overall, he justified the ministry's actions, arguing that "If the device had exploded, the newspapers would have written: 'What were the law enforcement agencies doing?'" - Sergei Gogin in Ulyanovsk

CORRUPTION

PROCURATOR GENERAL ENDS SCANDAL IN KURSK OFFICE. At the end of July, a commission set up by the Procurator General's office brought to a conclusion a nine-month scandal involving a conflict between Oblast Procurator Aleksandr Babichev and his first deputy Vasilii Izotov. The commission determined that Izotov's accusations of corruption and abuse of office by his boss were baseless and instead accused him of corruption.

On numerous occasions, the local press wrote about Izotov's magnificent mansion, something he could not possibly buy with his procurator's salary, and about a series of scandals, which he had been involved in (see for example, *Kurskaya Pravda*, 22 July). Babichev's predecessor, now working as a deputy governor, had also attempted to fire Izotov. In November 2002, relations between Babichev and Izotov deteriorated to the point where they could no longer work together and Izotov sent his accusations to the procurator general.

In his report, Izotov claimed that Babichev had attempted to illegally bankrupt the Mikhailov Mining and Processing Combine, the largest enterprise in the region, hoping to make a personal profit. He also charged that the procurator had illegally received housing in Kursk and that he had used budget funds improperly. Additionally, Izotov charged that the prosecutor had not conducted public tenders in remodeling the procurator's raion offices and had purchased cars without seeking competitive bids (*Izvestiya*, 25 July).

In April 2003 the procurator general abolished Izotov's job and the commission launched its investigation. Indicating their unhappiness with Izotov, the Moscow officials offered him an opportunity to take a new position in Siberia. Izotov turned down these opportunities and instead went on sick leave. Russian law prohibits firing someone on sick leave.

The commission cleared Babichev of all charges and then filed numerous accusations against Izotov. The commission claimed that he had refused to pay workers the 35,000 rubles he owed them for working on his house, used a stolen car for official business, and put pressure on the court and investigators in exchange for construction materials (provided by the latter). The Muscovites also accused Izotov of filing an illegal case against Kursk Mayor Sergei Maltsev for buying an expensive car for the mayor's office.

Despite the extensive evidence of wrongdoing, Izotov's only punishment will be that he will be forced to go on pension as soon as he returns from sick leave. The procurator general made this decision and it naturally casts doubt on the sincerity of his efforts to fight corruption. - Sergei Sarychev in Kursk

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Russian Regional Report
(Vol. 8, No. 15, 28 August 2003)

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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DECEMBER STATE DUMA ELECTIONS

ROSTOV OBLAST DISTRICT RACE OFF TO UNEXPECTED START. Zoya Stepanova, the business manager for the Rostov Oblast administration and a close associate of Governor Vladimir Chub, unexpectedly announced that she would seek election to the State Duma on 7 December. The announcement provides an interesting opening through which to view the internal operations of the Rostov regional elite.

Stepanova has worked closely with Chub since the early 1990s, when he was the head of a Rostov-na-Donu borough. She was the first and only business manager that Chub has employed as governor. Although she is one of Chub's close associates, she has never been a public politician. Stepanova's husband, Rostov-na-Donu Mayor Mikhail Chernyshov, plays this role in the family. While the local newspapers rarely discuss the relationship between Stepanova and Chernyshov, the mayor's office does not take any important decisions without Stepanova's approval.

Beyond the unexpected announcement, Stepanova's decision was surprising because she is planning to run in district 145, where the popular and ambitious Communist Nikolai Kolomeitsev is now the incumbent and is also planning to run for another term. Currently, he is the only politician in open opposition to the governor, who naturally has long hoped to remove him from office. Kolomeitsev has many enemies within his own party as well. The leadership of the regional Communist Party of the Russian Federation and several national party leaders, including Gennadii Zyuganov and Valentin Kuptsov, would also like to see him go. However, the effort to remove him in the 1999 elections failed completely, even though his main opponent was the Rostov chief of police, who had a variety of resources at his disposal, including permission to claim the backing of then Prime Minister Vladimir Putin.

Perhaps Stepanova chose to compete against Kolomeitsev, hoping to repeat what Chub did in the region's gubernatorial elections in 2001. Then the main Communist contender Leonid Ivanchenko was removed from the race on the basis of alleged electoral violations. If that doesn't work, Stepanova will have to rely on the various administrative resources of the governor's office and the authorities' complete control of the media.

Most likely, Stepanova is running for the Duma because she and her husband have fallen out of favor with the governor. Chub was able to place all of his closest allies on the party list portion of the ballot for the pro-Kremlin Yedinnaya Rossiya and Stepanova was not on this list. At the beginning of this year, Chernyshov offered to resign as mayor, but later withdrew the offer without any apparent political consequences.

It seems that Stepanova and Chernyshov's interests came into conflict with those of First Deputy Governor Ivan Stanislav. One possible area of contention is the highly-profitable Rostov construction business, where firms controlled by Chernyshov and Stanislav had competing aims. Since Stepanova knew too much to simply be fired, it is possible she was nominated to run for the State Duma to remove her from the scene honorably. Depending how the race evolves, if Kolomeitsev is too powerful to unseat, Stepanova may be moved to a different district or her husband may become the one to run for national office. - Aleksandr Krasnov in Rostov-na-Donu

ROADS AND TAXES

TAX CHANGES DEPRIVE MORDOVIYA OF ROAD CONSTRUCTION

INCOME. At the beginning of 2003, the federal government canceled the road tax that in the past provided regions with the funds they need to build and repair roads. To compensate the regions for this loss, Russia changed the method used for collecting fees on petroleum products. In the past, refineries paid taxes on the oil they processed. Now taxes are collected from wholesale and retail dealers selling petroleum products.

However, as a result of the changes, Mordoviya and other regions that lack major refineries (and therefore wholesalers) simply have no money to pay for new roads or fix old ones. During the first six months of 2003, Mordoviya collected 18 million rubles for the road fund, when it needs 90 million rubles.

Part of the problem is that the vast majority of the republic's gas stations work without the proper certification to sell petroleum products. According to the official system, if each of these stations had a license, then wholesale and retail taxes would be paid in each region by the final consumer, the money collected would stay in the region and the wholesaler would receive reimbursement for the taxes it paid from the retailers. However, since it is very difficult for the authorities to track the sale of gasoline and motor oil from the wholesalers to the consumer, the wholesalers have refused to work by this system. The process for the wholesaler to obtain the necessary tax compensation is three months, not including the time required to obtain and file the documents. This is unacceptable for the normal functioning of their business operations. Additionally, governors and local tax authorities want each wholesaler to pay taxes in their jurisdiction, whether the company is registered there or not. Therefore most wholesalers, like the retailers, work without the proper registration.

If the new system were to be fully implemented, taxes would have to be paid twice on the same gas, at the wholesale and retail level. The result would be higher prices. In current conditions, charging the full official price would make the gas uncompetitive. Thus, gas stations have started to deal with wholesalers who do not pay taxes, often breaking ties with other suppliers that had lasted for years. Additionally, gas stations that had officially registered have started to cancel these registrations. Now only 16 of more than 100 gas stations in the republic do business with a license. Current Russian law does not require these companies to have licenses, (oddly) making compliance voluntary.

As a result, the regional tax authorities are considering various ways to address the problem. One proposed solution would be to have all the wholesalers and retailers register. However, the oil companies oppose this solution since they would have trouble collecting tax payments from the retailers. An alternative solution would be to tax the wholesalers and retailers separately and not require the wholesalers to collect compensation from the retailers.

Mordoviya's Finance Minister Nikolai Petrushkin has suggested setting up police posts at each gas station to ensure that taxes are paid. But such officers would be chasing relatively small amounts of money. Given the possibilities for abuse such a solution would provide, critics question whether it would ultimately be a civilized approach. - Igor Telin in Saransk

REGIONAL FINANCES

KOMI TURNS FROM DONOR REGION TO RECIPIENT OF FEDERAL SUBSIDIES. In 2002, Komi ran a huge budget deficit, spending just over 10 billion rubles at a time when its income was approximately 8.8 billion rubles. This year the situation looks much better: expenses are slated to be 10.25 billion rubles, while income should be 10.17 billion rubles. During the first five months of the year, the republic actually ran a surplus of 76.1 million rubles (*Region*, no. 7).

However, this success has come at a high price. In 2003, the republic slashed all expenses across the board, including dramatically reducing the number of targeted programs financed by the republican budget. Major taxpayers have increased their contributions. Thus LUKoil now pays 150 rubles per ton of oil that it produces, several times what it paid in the past, and provides an advance of 90 million rubles each month (*Molodezh severa*, 14 August). Such increased payments help make up for the elimination of several taxes and redistribution of funds in favor of the federal government.

Unfortunately, these increases are temporary and do not reflect a substantial expansion of the republic's tax base. The legislature has already cut republican expenses three times this year.

Most importantly, the republic is losing its status as an economically stable region because it is trying to solve its immediate financial problems by obtaining loans from sources outside the region and federal subsidies. By law the republic's debt cannot exceed 3.14 billion rubles (*Respublika*, 12 August). However, on 26 June, this debt was 3.09 billion, nearly at the maximum allowable. Nevertheless, the republic issued 650 million

rubles worth of debt, leading the local media to question how the republic would repay it (*Stefanovskii bulvar*, 15-22 August).

Governor Vladimir Torlopov also announced that he had agreed with the Finance Ministry that the republic would turn from a net contributor to the federal budget to a recipient. Most likely, the republic will not receive any financial support from the federal government this fiscal year and the declaration will only raise the interest rate at which the republic must borrow money from commercial banks. Healthcare, education, and the housing sector are suffering enormously.

Some local experts believe that Komi's deteriorating financial position could lead to the abolition of the republic as a separate entity. Vladimir Zhirinovskiy visited the republic in July and suggested merging it with Arkhangelsk and Perm (*Molodezh severa*, 23 July). In August the local press discussed the idea of merging with Kirov Oblast (*Krasnoe znamy*, 13 August). Another idea floating around is that the current governor would be "promoted" to a position in Moscow and a replacement would be elected in December simultaneously with the State Duma elections. However events evolve, the republic is having difficulty bringing in major projects, such as construction of the Yamal-Europe gas pipeline across the region's territory. Such projects could provide the revenue necessary to improve the republic's finances. - Yuri Shabaev in Syktyvkar

TRANSNATIONAL CRIME

PRIMORSKII KRAI FACES CRIME AMONG FOREIGNERS. In addition to dealing with crime among their own citizens, Primorskii Krai law enforcement officials face real problems in dealing with crimes committed by foreigners in the region. S. V. Slobodskii, a department chief in the region's police force, provided a typology of foreigners and the crimes they commit at a conference dealing with the issue organized in part by TraCCC's affiliate in Vladivostok on 27 June. Slobodskii divided crimes by foreigners into five categories.

First is crime committed by tourists. During tourist season, many Chinese earning approximately \$1,000 a month visit the region. The authorities believe that there are few criminal problems connected with the tourists. To the extent that there are problems, they are connected to visa violations and the tourists' desire to visit a third country.

The second category involves traders who visit Russia for one month or less or through a single-entry visa. Most of these people are Chinese Koreans involved in the shuttle trade or Chinese involved in big business. They are generally trying to consolidate their hold in Russia. Some of them chose to adopt an illegal status, intentionally losing their personal documents, making it impossible to deport them to China. They often concentrate on illegal business activities, selling various flora and fauna such as trepang (sea cucumbers), frogs, and pine nuts. Often these dealers hire unemployed Russian citizens to gather these resources. The Russians performing these jobs refuse to cooperate with the law enforcement agencies, fearing that they will lose the only source of income available to them.

With this category of foreign criminals, it is hard to prove to other countries that their citizens are responsible for committing crimes. Additionally, there is no money in the federal or regional budgets to deport such criminals. In many cases, Chinese organized crime groups finance their activities. The poachers' activity has wiped out

several types of wildlife in the krai. The groups are also actively working on Sakhalin Island.

A third category of foreign criminals is workers in various types of joint ventures, usually in the medium or small business sector. Generally, these businesses include the organization and construction of gaming and entertainment establishments, such as casinos, restaurants, and nightclubs with erotic dancers, accompanied by the typical criminal phenomena. This is the most organized group of foreigners. They frequently cooperate with the triads (Chinese organized crime) and Russian organized crime. There are occasional conflicts between the foreign groups, and less frequently with Russian crime groups.

The fourth category covers agricultural workers, usually from the poor provinces of China, who have effectively pushed Russian agricultural producers from the Russian market. Such workers rent land in Primorskii Krai from former state and collective farms, then hire Russian peasants to work on them and collect fruits and berries. Those who are not involved in agricultural activities organize groups to attack their countrymen, and less frequently Russian citizens.

A fifth group includes crimes committed by students, instructors, scholars, and representatives of official and non-governmental foreign groups. These types of crimes are much less important than the others listed above.

Members of the Russian law enforcement agencies believe that China has an official policy of legally and illegally populating Primorskii Krai with Chinese citizens and actively exploiting the natural and human resources of the region.

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Russian Regional Report
(Vol. 8, No. 16, 12 September 2003)

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CENTER-PERIPHERY RELATIONS

INTERVIEW WITH PERM CHIEF FEDERAL INSPECTOR NIKOLAI FADEEV

On 4 September, Petr Kozma interviewed Perm Chief Federal Inspector Nikolai Fadeev. In an unusually frank discussion, Fadeev describes how he forces federal agencies in Perm to work together and explains the reasons why Putin abolished the federal Tax Police Service in March 2003. In the course of the conversation, he points out that federal agencies use competitive tenders much less frequently than regional or local governments, thereby violating federal law. In the future, the federal agencies in the region must put contracts out to open bidding. He also notes that the federal government is having trouble setting up a new administration to combat economic crimes.

Petr Kozma: In your interview with the newspaper *Zvezda* on 20 December 2002 (<http://www.nevod.ru/local/zvezda/page/zvezda/2002-12-20/4>), you said that you had a plan for increasing the loyalty of the heads of federal agencies working in the regions. What kind of activities did you have in mind and how effective were they?

Nikolai Fadeev: First let's define what we mean by "loyalty." It is not simply a personal preference for the chief federal inspector. Rather I want the 60 heads of federal agencies in Perm Oblast to work together in resolving issues that fall outside their individual competencies. I will not hide the fact that there are conflicts between these leaders. Usually, such conflicts are personal and they affect the work of the organizations and their employees. ... I convene them here in my office and force them to come to agreement. Yesterday, for example, I said during such a meeting, "Nobody can leave this

room until we formulate a plan for joint action. We will sit here and search for a solution for as long as necessary."

In discussing this form of loyalty, we should keep in mind that, as during the Communist Party era, we have a "general line." Just as tributaries flow into a river, the activities of federal agencies should be built on this general line, which we in the presidential envoy's office define as the president's yearly address to parliament. ...

Here is an example. Each federal agency has its own budget, which is divided into two parts: salaries and other expenditures. When I did a preliminary analysis of how the 8 billion rubles of federal money a year are spent in Perm Oblast (one third of the region's consolidated federal-regional-local budget), I discovered that the lion's share of these funds are spent without any kind of competitive bidding. Even the municipalities do a better job of this. The oblast budget also is implemented in much greater accordance with the law.

As a result of this analysis, we organized a system in which I start a file on each federal department head who does not obey the law and carry out competitions (this includes many of them, if not the majority). Furthermore, at our request the procurator evaluates the legality of their activities. We know that it is difficult to implement the competitive and tender requirements mandated by the law and that it is necessary to force people to do so. Having an order from the procurator, we can influence a person, telling him "If you want to continue working, you must fix the situation by next year. If today 30 percent of your state orders are determined on the basis of competitions, then next year, it should be a minimum of 50 percent, 80 percent in two years, and 100 percent in three years, or you will no longer be working here." To do this, we need only ask the procurator to prepare an order -- only the president and God stand above the procurator.

This is a systematic approach. I worked it out with the Finance Ministry and the secretariat of the first deputy prime minister, which declared it correct and useful. This methodology should be used in all regions. It is a double approach, acting on the agency head personally and on his loyalty to the general line in the form of the president's annual address. This is a flexible, simple, understandable, and effective instrument; most administrators quickly get it.

Kozma: Regarding the Tax Police. In March 2003, Putin reformed this organization [dividing its employees between a new anti-drug agency and a Ministry of Internal Affairs (MVD) department to combat economic crimes]. In your December 2002 interview, you described its powers and how they are used. What is the situation now?

Fadeev: Probably the main question was to transform the federal tax police into a new agency. The tax police was set up almost ten years ago. This was the beginning of the democratic reforms. Our early capitalism existed in semi-legal forms and the shadow economy was of a horrifying scale - more than half of the economy was in the black or gray market (now this figure is lower). At that time, the tax police were necessary because the regular tax inspectorate worked on the basis of income declarations and selective audits, meaning that a large sum of taxes simply were not paid. In this situation, additional force was necessary.

During the last 10 years the market gained additional structure and the outline of a fiscal policy was developed. Business increasingly moved into the legal sphere and the

role of the Tax Collections Ministry's inspectorate grew. In these conditions, the tax police's coercive potential, often deployed in the form of masked and heavily armed officers, became less relevant. But this agency continued to maintain its resources intact, namely healthy young men with big muscles. However, the lack of real work for them led these men to start hiring themselves out, making money for themselves in ways that were not entirely legal.

Using the extensive intelligence they had at their disposal, they created difficulties for selected businessmen. Since all businesses have "gray areas," they were able to find hooks to use on anyone they chose. Even in cases where the court would likely back the businessman, it was possible to cause problems for him. Some employees of the tax police opened criminal cases, extorted money from businessmen, and then closed the cases. ...

Effectively, this was an ordinary racket. Therefore, it was necessary to reform this agency, creating a new one that would help create a civilized market. On the basis of the tax police, they are now creating two agencies: the state anti-drug committee and an administration within the Ministry of Internal Affairs - the Federal Service for Combating Economic and Tax Crimes. The former tax police now fill out these two organizations. While the state anti-drug committee has already been formed, the federal service for economic and tax crimes is still under construction. The president set a deadline of 1 July, but the work was not even complete on 1 September.

There are several reasons for this situation. It was easier to form the anti-drug committee - a majority of the former tax police joined its ranks and they kept all the buildings, equipment, and infrastructure, which made their work possible. Basically, they only reworded the sign outside their door, reorganized a few things, and changed their priorities. Setting up a new division within the MVD was more difficult because the former tax police had to merge with the existing Department for Combating Economic Crimes. The process of merging rather than starting anew went more slowly. We are providing as much help as possible. ...

CORRUPTION

CHARGES PENDING AGAINST TVER GOVERNOR. On 10 September, the Tver Procurator's office could not present papers to Governor Vladimir Platov formally accusing him of abusing his office as it planned because he entered the hospital (polit.ru, 10 September and *Veche Tveri*, 5 September). Such charges against a sitting governor are unprecedented in Russia, though several former governors have faced investigations. The charges come in a highly charged political atmosphere because Platov is seeking reelection on 7 December. The accusation followed a 4 September search of his office, official suburban residence, and Vladimir Oblast dacha by members of the procurator's office and the Federal Security Service (FSB). Now the law enforcement agencies will wait until Platov leaves the hospital to formally serve notice.

The charges involve the loss from the oblast treasury of 463 million rubles following the issue of oblast bonds. The oblast's difficult financial situation in 2002 led it to borrow 500 million rubles secured against a guarantee provided by the oblast administration. The obscure firm "IK Ortodoks +" agreed to purchase 490 million rubles worth of the bonds. Aleksandr Kotlyar, the head of the oblast's financial department at

the time said that the order to make this sale came directly from his boss. Ortodoks General Director Pavel Volchkov received the bonds before he actually paid for them and immediately sold them. The oblast only received 110 million from the sale. The rest of the money went for buying promissory notes that were not backed up by anything of value and disappeared without a trace.

Ultimately, the oblast had to cover all the losses, putting a large strain on its budget. Both Kotlyar and Volchkov are now in custody. At the end of August, police also arrested Ramzan Taramov, the leader of a Chechen crime group, who many analysts believe was involved in these deals and could explain the details of what happened.

Governor Platov described these events as an attempt to discredit him on the eve of the gubernatorial elections. However, local commentators believe that the accusations are legitimate, though they do not deny that the procurator's activities were designed to attract as much attention as possible (*Veche Tveri*, 6 September).

Many analysts believe that the charges against the governor are part of an effort by Moscow-based representatives of the law enforcement agencies to take power in the region. However, it would be extremely difficult for these people to win an election.

What is clear, however, is that the Kremlin had to authorize bringing charges against a sitting governor. Now it seems that Platov must decide between voluntarily leaving the political stage or defending his position, using his new potential as a charismatic leader under attack by the country's leadership. Although leaving politics is the most likely possibility, the Tver governor might choose the more risky path. In any case, local journalists have already dubbed the affair "Platovgate." - Boris Gubman in Tver

ADYGEYA PRESIDENT, OPPOSITION TRADE CORRUPTION

ACCUSATIONS. In recent weeks, Adygeya President Khazret Sovmen and his opponents have begun to trade accusations of corruption, each blaming the other of being responsible for the high level of graft in the republic. The gold magnate Sovmen won election as president of the tiny North Caucasus republic in January 2002, defeating the incumbent Aslan Dzharimov, and entering politics for the first time. During Dzharimov's tenure, the topic of corruption was taboo. The republican media, loyal to the president, claimed that there was no corruption in the republican administration or among the federal workers based in Adygeya.

Even then, however, the central media published stories that cast considerable doubt on the depictions provided at the local level. Particular cases included the theft of tens of millions of dollars under the guise of building an insulin factory in the capital Maikop and accusations by a group of Adygeya businessmen and the organization Adyge Khase that the republican branch of the Federal Security Service had facilitated the murder of local businessmen.

Upon his arrival in office, Sovmen began to raise the topic of corruption himself. His particular target has been the federal law enforcement agencies working in the region. He expressed dissatisfaction with the republic's minister of internal affairs Ruslan Kubov. After Kubov was transferred to Moscow, Sovmen began to criticize his replacement Aleksandr Shinkarev. Oleg Yepatko, the chairman of the republic's Security Council and a visible member of Sovmen's team attacked the new police chief's work in a recent television appearance. Shinkarev, in turn, expressed his own dissatisfaction with the

republic's political leadership and dozens of police officers sent Interior Minister Boris Gryzlov a collective letter.

On 28 May, Sovmen told members of the republican legislature that, beyond the police, there was extensive corruption with the republic's courts, procurator's office, and parts of the bureaucracy (see the June issue of *Zakubane*). He claimed that the republic's former agriculture minister, Mukhammed Ashev "together with the police" stole "everything and now we can't find anything." The president also accused the police of not blocking the illegal sale of alcoholic beverages. He claimed that they do nothing about the theft of natural gas, closing all cases in exchange for monetary payments. Sovmen also criticized MVD representatives working in coordination with the office of the presidential envoy to the Southern Federal Okrug for spending all their time auditing the use of federal funds given to the republic for addressing the consequences of 2002's floods rather than reforming the republican police: "The Southern Federal Okrug should impose order on the police, rather than engaging in gossip."

Sovmen claimed that the judges in the republic outbid each other to hear various cases that might prove personally lucrative and also announced that the republic had judges who could get a share of any case. He did not detail his problems with the procuracy, saying only that it was "criminal." He accused one of the region's leading local firms (Kartontaru) of illegally cutting down trees. He also claimed that several republican legislators did not deserve their jobs because "the people elect swindlers."

Media beyond Khazrat's control, however, blame the high rates of corruption on him. *Argumenty i Fakti na Kubani* claimed that "all the power ministries are effectively dependent on Sovmen's administration," and "the most destructive things for Adygeya's future take place in the shadow government, which does not stop its efforts to take control of the republic's property." *Kommersant* claimed that the Vozrozhdenie firm, which is closely associated with Sovmen, has tried to take over several of the republic's largest enterprises, including the local sugar, alcoholic beverage, and machine-building factories. The paper also reported on the suspicious activities of the republic's arbitration court, which has declared more than 200 firms bankrupt and transferred them to other owners even though higher standing courts recognized only about 20 of the cases as valid.

The republic's only opposition group, the Adygeya Union of Slavs, has also criticized Sovmen, noting that, "the president constantly repeats that 'they are stealing everything.' But who is doing it and how much are they taking? As the chief executive, has he initiated even one criminal case? If not, why is he complaining? After all, it is his own team!"

The boldest republican legislators note that Sovmen does not provide any information about budget expenditures. Some of these concerns have been answered. Before his recent departure, former Prime Minister Gennadii Mikichura gave the legislature information about financial violations that occurred in dealing with the 2002 floods. These figures suggested that 13 million rubles were not used for the purposes for which they were assigned. Some legislators question the activities of the Vozrozhdenie firm, but Sovmen counters that it is his firm and that its business will prosper.

The law enforcement agencies have not reacted to Sovmen's accusations. However, on 9 August, Putin awarded Sovmen with a second level Services to the Fatherland prize for his "great contribution to strengthening Russian statehood, and

friendship and cooperation among peoples." Shortly after receiving the award, Sovmen traveled to Moscow, where he met with members of the presidential administration, the leadership of the Ministry of Internal Affairs and other officials (*Sovetskaya Adygeya*, 29 August).

The ordinary people of Adygeya, like the residents of other Russian regions, have little hope for an effective battle against corruption. Most people believe that corruption is an inescapable part of the current system of government. The residents of the national republics have especially little hope in the federal authorities. Just as in the Yeltsin era, the Kremlin avoids conflict with ethnic leaders (even if there are serious reasons for taking them on), preferring to make concessions in exchange for loyalty. - Oleg Tsvetkov in Maikop

ILLEGAL IMMIGRATION

WAVE OF ILLEGAL MIGRANTS CROSSING RUSSIAN-UKRAINIAN BORDER. Illegal immigration on the Russian-Ukrainian border became a problem quickly after the collapse of the Soviet Union. Thanks to the porous state of the border, exacerbated by a decade of delimitation and demarcation, illegal immigration grew continuously, reaching a new peak in 2003. Its current scale makes it one of the key threats to Russia's national security. In fact, the flow of migrants has "overwhelmed the border," according to Lt. Gen. Sergei Minakov, the head of the Border Service's western regional administration (*Belgorodskie izvestiya*, 3 September).

Generally, the illegal migrants come from Central and South-East Asia (India, China, Sri-Lanka, Bangladesh, and other countries). Usually, they enter Russia legally and seek to transit through Ukraine to the European Union. They often claim that they want to come to Russia because they are interested in education, medical treatment, or seeking work. Transporters meet them at Moscow and St. Petersburg airports and take them to unguarded parts of the border, sending them by secret paths to the Ukrainian side. The border guards note the largest flows of illegal migrants in Rostov Oblast and Krasnodar Krai (up to two-thirds of the total flow), but Kursk, Belgorod, and Voronezh oblasts also see large numbers of migrants (*Vestnik granitsy Rossii*, no. 8, 2003).

The MVD's regional units and the border guards consider illegal migration a well-developed and extremely profitable business. The authorities in the border regions believe that addressing the problem requires developing and implementing a migration policy. They recommend changes in Russia's administrative and criminal codes, toughening sanctions against people illegally crossing the border and those working to help them. They also argue for clarifying the procedure of inviting foreigners to Russia and the conditions of their stay. Ministry of Internal Affairs officials believe that if they have sufficient powers, their institution could become the main force in combating illegal migration. Currently only the border guards investigate criminal groups involved in illegal migration and arrest illegal migrants and their helpers.

Organized crime groups working on the Russian-Ukrainian border are also involved in transporting drugs and other illegal goods. Generally, illegal migrants move from Russia to Ukraine, while contraband goods and drugs flow in the other direction. The result is an extremely complicated criminal situation on the border. - 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.

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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

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Russian Regional Report
(Vol. 8, No. 17, 24 September 2003)

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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LAW ENFORCEMENT AGENCIES

NEW CHIEFS FOR SARATOV POLICE, FSB. At the beginning of September, Minister of Internal Affairs (MVD) Boris Gryzlov ended a three-month power vacuum at the top of the Saratov police force by appointing Aleksandr Shinkarev as the new oblast police chief. His appointment completes the replacement of all law enforcement officers in Saratov Oblast, a process that started in the spring. Besides the police chief, in June oblast Federal Security Service (FSB) chief Anatolii Tregub left his post, as did the head of the Saratov Customs office Gennadii Kartashov. Muscovite Vladimir Kuleshov now heads the FSB, while the customs post remains vacant.

Shinkarev replaced Pavel Salnikov as the police chief after Salnikov was forced to resign following an MVD commission report that declared his work "unsatisfactory." In presenting the new police chief, Gryzlov said that the commission found evidence that officials had tampered with the region's crime statistics in an effort to reduce the number of major crimes. After the commission revised the numbers, the percent of crimes solved fell, while levels of recidivism grew. The oblast faces particularly alarming increases in narcotics sales, which grew by a factor of six.

Additionally, during Salnikov's tenure, the authority of the police plummeted to the level of crime leaders. Residents of the oblast feared the police as much as the criminals, seeking to avoid both during the evening hours. Numerous people complained about police behavior in the rural areas of the oblast.

Salnikov came to power in 1998, replacing Vladimir Bulgakov, who had quarreled with the then all-power Governor Dmitrii Ayatskov. Although Salnikov was not entirely loyal to Ayatskov, he tried to avoid actions that would anger the governor.

Shinkarev's candidacy for police chief was floated as soon as the commission report was complete. However, Ayatskov sought to defend Salnikov, organizing a letter writing campaign to the members of the oblast legislature in his defense and lobbying members of the presidential administration. But the governor's influence was not sufficient, and Salnikov lost his position.

However, Shinkarev's appointment was also delayed. Even though the MVD prepared a presidential order appointing him at the beginning of the summer, Putin only signed it in September. Informed sources claim that the appointment was delayed because Ayatskov, having failed to defend the incumbent police chief, fought hard to prevent the appointment of an outsider who might cause him problems. Ayatskov sought to secure the appointment of one of the former chief's two deputies, Oleg Latukhin or Vladimir Khodzheisy. Reportedly, Shinkarev faced an ultimatum -- either agree to take over the leadership of the Saratov police or face the publication of compromising material about his activities in his previous job as the chief of police in Adygeya (see Russian Regional Report, 12 September 2003). Shinkarev had tried to get out of taking the Saratov position, but Putin's decree put an end to these intrigues.

Shinkarev poses a double threat to the oblast elite. First, both he and the oblast procurator Anatolii Bondar are from Krasnodar. When Bondar was the deputy krai procurator in Krasnodar, Shinkarev was the chief of staff for the krai police. Observers claim that Bondar helped secure the appointment of Shinkarev.

Second, Shinkarev did not have good relations with the political authorities in Adygeya (see Russian Regional Report, 12 September 2003). Since Ayatskov already has a difficult relationship with oblast procurator, the last thing he needs is another conflict prone member of the law enforcement community who comes from the procurator's home region as police chief.

The appointment of Shinkarev also caused concern among the people surrounding Saratov Mayor Yurii Aksenenko, who is in opposition to Ayatskov. It is well known that many high-level Saratov politicians and businessmen could be liable to criminal prosecution if the authorities chose to investigate their past activities.

The deputies of the oblast legislature voted to provide more than two million rubles to purchase apartments for the new heads of the oblast's MVD and FSB. Of course, according to federal law, the federal budget should pay for the upkeep of the law enforcement agents so that they are not dependent on the local authorities. However, the oblast government's decision to pay for an apartment for the procurator has not shielded it from the procurator's attentions.

While Salnikov may not have been completely loyal to the governor, former FSB head Tregub was a consistently reliable ally for Ayatskov. This situation contributed to the loss of his position since the intelligence service must have reliable information about the activities of the regional authorities. Discussions about his removal circulated long before he actually lost his job. Ultimately his bosses decided to remove him under cover of the controversy surrounding the replacement of the police chief. The overall procedure was the same. At the time that a commission was investigating the work of the local police, another Moscow commission began to study the Saratov chekists. As in the case with the police, they found the work of the local FSB unsatisfactory. However in contrast to Salnikov, they did not stand on ceremony and demanded Tregub's immediate resignation.

The new head of the FSB, Col. Vladimir Kuleshov, had headed up the investigation of the Saratov FSB under Tregub. So far little is known about him, presumably because of the nature of his work. Most likely, he will take into account the political mistakes of his predecessor. This will make the situation difficult for the governor because Kuleshov will likely send his superiors in Moscow accurate reports about the state of affairs in the oblast.

Two other appointments were made: After the abolishment of the tax police, the head of that agency Aleksandr Ivanov took up the leadership of the new anti-drug agency that replaced it (see Russian Regional Report, 12 August 2003). His first deputy Boris Orlov became the deputy head of the oblast police with responsibility for combating financial crimes, basically the same job that the tax police was supposed to be performing. The governor is unlikely to be happy about Orlov's appointment.

Now the governor has fully lost control over the law enforcement agencies operating in his region. This situation is much more dangerous for him than losing influence over the Saratov mayor's office. Even Chairman of the Oblast Court Aleksandr Galkin is no longer the reliable instrument who had once helped the governor implement his conception of legality.

Chief Federal Inspector Rinat Khalikov now has responsibility for coordinating all of the new law enforcement appointments. He has openly expressed his satisfaction with the new personnel among the law enforcement agencies. If such coordination is actually effective, it would be another blow to Ayatskov's powers.

Nevertheless, the question of whether the power of the law will overcome the power of the authorities remains open and doubts so far prevail over optimistic expectations. The law enforcement agencies in Saratov Oblast are the tools of the political authorities. The authorities are guided by political expediency, which is rarely the same as popular aspirations. - Yuliya Yeliseeva in Saratov

CONTRACT KILLINGS

SUSPECTED VIGILANTE KILLED IN SMOLENSK. On 12 September a police major suspected of participating in a plot among law enforcement officers to assassinate crime bosses was murdered. Aleksandr Zheleznyakov was one of the chief suspects in the so-called "White Arrow" affair. Of the members of the Smolensk anti-mafia agency (UBOP) suspected of carrying out their own brand of justice, he was the only representative of OMON. Together with the top two figures in the Smolensk UBOP, he spent two years in jail for questioning.

Zheleznyakov gained wide notoriety when he appeared in the NTV show "Independent investigation" at the beginning of 2002. In that broadcast, together with the former head of the Smolensk police Aleksandr Pantukhov, Zheleznyakov argued that criminal groups seeking to discredit the law enforcement officers had fabricated the accusations.

Police Chief Pantukhov was murdered one month after the show was broadcast. Another figure in the affair, Sergei Kambulatov, was attacked twice. Now Zheleznyakov has been murdered. However, the investigators have not been able to identify any links between these crimes.

Recently, the number of contract killings in Smolensk has been rising precipitously (see Russian Regional Report, 12 December 2002). Moreover, the character of the crimes has been changing. They are all committed in a demonstrative manner in complicated circumstances. The killers behave extremely audacious, killing people in the middle of the day on crowded streets and in courtyards where many are gathered. Frequently innocent by-standers become victims.

The law enforcement agencies have not solved any of these cases recently. It seems that the police are powerless in the face of organized crime. - Arsentii Ledovskoi in Smolensk

CORRUPTION

MORDOVIYA DEPUTIES ASK WHO BENEFITS FROM TAX BREAKS. Several members of the Mordoviya legislature have sent republican president Nikolai Merkuskin a letter asking for an explanation of who benefits from the republic's tax benefits. The letter follows up on a June report by Accounting Chamber head Sergei Stepashin to the Federation Council that the republic's tax benefits had inappropriately cost the region 21 billion rubles in 2002. Stepashin's report focused on how regional authorities inappropriate use state money and identified the tax benefits as causing major losses.

In his presentation, Stepashin asked "Who received these benefits?" "Why?" "Were they payback, perhaps in response to financial support provided during the elections?" "Are there other issues that deserve further investigation?" The deputies charged that these questions cast a shadow over the republic's executive and legislative branches and amounted to accusations of corruption in the republic.

In the republic, the law "On the conditions of effectively using the Republic of Mordovia's social-economic potential," adopted by the republican legislature, sets the framework for offering tax breaks. However, the deputies point out that "we had no way of knowing that the law covered tax benefits on multi-billion ruble profits." The deputies explained their ignorance by pointing out that neither the 2002 republican budget prepared by Mordoviya's government nor the official explanation that accompanied it said anything about giving the benefits to entities making such large profits. "Unfortunately, as legislators, we do not know who benefited from the government's 21 billion ruble tax benefits in 2002."

The deputies are particularly concerned about the benefits because the Accounting Chamber has asked the Russian government to prepare legislation that would make it possible to cut federal transfers to the regions by the amount provided in such benefits. The deputies worry that if the federal government imposed such penalties on the republic, which is highly dependent on federal subsidies, the results would be catastrophic. - Igor Telin in Saransk

INTERVIEW WITH PERM CHIEF FEDERAL INSPECTOR NIKOLAI FADEEV

A DAY IN THE LIFE OF A CHIEF FEDERAL INSPECTOR

In the second part of his interview with Petr Kozma, Perm Chief Federal Inspector Nikolai Fadeev explains a typical day in his life. The conversation is interesting because it shows the newly created institution of the seven presidential envoys and the chief federal inspectors who represent them at the regional level as an "administrative special operations force." The inspectors deal with a wide variety of crises over the course of the day. Also interesting is that Presidential Envoy Sergei Kirienko, Fadeev's immediate superior, gives him extensive autonomy "to let 100 flowers bloom" in terms of administrative experimentation. Fadeev also notes that the envoys and inspectors are on temporary deployment for as long as the president deems necessary. (For the first part of this interview, see Russian Regional Report, 12 September 2003).

Petr Kozma: What is a typical day like for the chief federal inspector -- What do you do? Whom do you meet? How often do you go to Nizhnii Novgorod (the capital of the Volga okrug) and Moscow? Where do you go more often? Do you travel among the cities and rural areas of the oblast?

Nikolai Fadeev: Daily life consists of the things that you have listed. Since the chief federal inspector is an "extra-territorial" employee (I am part of the presidential envoy's staff, part of the presidential administration, but based in the regions), all sources for me are in Nizhnii Novgorod. That is, my work comprises two substantive halves.

First, I receive orders and directives from the presidential envoy that I am obliged to fulfill. From the beginning, the institution of the presidential envoy and chief federal inspectors were created as an "administrative special operations force (*spetsnaz*)." How does the *spetsnaz* work? For every concrete task, we put together an attack brigade. For example, today we need a sniper, a driver, a radio operator, and three wolfhounds. They resolve one problem. For another issue, we need parachutists, mine layers, explosive experts, etc, again depending on the character of the job. Each time the brigade is formed depending on tasks and made up of various people. It works the same here. When the task changes, my job is to figure out whom to pick from among the law enforcement agencies and other federal managers (who are well represented here), and sit them around a table to deal with a certain problem and find a solution. Among the 60 federal agencies working in the region, I can find as many recruits as necessary. The heads of the federal agencies send me the necessary fighters. This is how I solve the tasks handed to me from above. They change, but sometimes are very repetitive. For example, a constant theme is combating terrorism. Here we have worked out various methodologies, including plans, schedules, and monitoring.

This is planned work, but there might be unpredictable amounts of unplanned work. One example is the merger of Perm Oblast with the Komi-Permyak Autonomous Okrug. Here I must block illegal attempts to slow or halt this process. Such a situation arose not long ago. We did not have the appropriate staff to deal with the problem and had to devise a solution on the fly. In this case, we worked with both Nizhnii and Moscow. The presidential administration is monitoring this experiment. Sometimes I receive orders directly from there. In this part of my job, I have to resolve unusual problems. Such tasks take up a significant amount of time. I am the "eye of the sovereign" and the representative of the presidential envoy.

The second part of my job follows the Chinese philosophy of "let a hundred flowers bloom." This is the way it works in the Volga federal okrug; other envoys set

tasks differently in other okrugs. As these flowers grow, we watch to see which is the strongest, not in the sense of killing the other flowers, but which is the most effective. This is the comparative model of management. In the Volga district, the presidential envoy has extensive experience as a manager since he once served as prime minister. He is not a general who always worked within the confines of his agency. Therefore we chief federal inspectors have extensive autonomy to adopt decisions.

In the majority of okrugs, the chief federal inspectors simply carry out orders from above. Here, each inspector devises his own model for implementing the president's priorities in his territory. This is fully in my competence. I decide whom to coordinate, how to do it, how to define local priorities, which problems are technically connected, and the framework within which we work together.

For example, we work to optimize the use of federal funds. This task gives me an instrument to influence the heads of federal agencies working in the region. And it works. Therefore, I organize such work autonomously, without asking anyone. In doing it, I have more contacts with the governor since he also has the task of most efficiently using budget funds, in his case at the level of the oblast. His task is very similar to mine. Therefore we work as allies. There are many such local innovations.

I almost never report on this second part of my duties to Nizhnii Novgorod. When I leave this job I will pass on my two main projects: imposing a system of public tenders for state orders among federal agencies working in the regions (this system did not exist previously, but it will be set up and continued after I am gone) and an improved approach for handling the fight against terrorism. What the Russian Security Council did at the level of the Volga okrug has stimulated new approaches at the level of the oblast and now this activity is working its way lower, to the municipalities. Now there is a pyramid working on this issue from the top to the bottom.

I plan every week along these two issues. I travel frequently to Nizhnii, Moscow, and throughout the oblast. I also have a plan for each day and month. I should note, however, that my daily plan only covers 50 percent of my time. I usually have 7-10 planned meetings a day, plus trips out of the office. Usually there are also several unplanned meetings. For example, at 11 o'clock this morning the head of the court bailiff service dropped in. He must confiscate some property at one of the local defense plants because the enterprise was late in paying salaries and he needed to discuss how to proceed. We agreed what he could take and what should be left alone. We should never violate defense production. However, all non-essential components, such as the cafe and entertainment establishments, could be sold at auction to pay the debts. There should be no fat when people are not receiving their salary.

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Russian Regional Report
(Vol. 8, No. 18, 29 September 2003)

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GOVERNORS' ELECTIONS

MATVIENKO FAILS TO WIN FIRST ROUND IN ST. PETERSBURG. The 21 September gubernatorial election in St. Petersburg, like all Petersburg elections starting with the legendary duel between Mayor Anatolii Sobchak and his then deputy Vladimir Yakovlev in 1996, was not simply an internal affair of the city. In contrast to Leningrad Oblast, where incumbent Governor Valerii Serdyukov handily won another term on the same day, the Petersburg elections were filled with scandals, new campaign techniques, the intervention of various Kremlin groups, and internal intrigue, which kept all in suspense until the votes were finally counted.

The first round of the race proved inconclusive, since no candidate won more than 50 percent of the vote. With turnout of 29.02 percent (less than 1.1 million voters), Presidential Envoy Valentina Matvienko won 49.04 percent, Deputy Governor Anna Markova, 15.94, Sergei Belyaev, 8.18, Mikhail Amosov, 7.14, and Konstantin Sukharenko, 5.17. The other candidates won less than 1 percent of the votes, while 10.97 percent of the voters cast their ballots "against all." The Putin administration effectively secured the elections by badgering Governor Vladimir Yakovlev into resigning less than a year before his second term expired, giving him an honorable exit with a post as deputy prime minister in charge of housing issues.

The intrigues around the Petersburg elections began evolving in the middle of July, when the so-called Petersburg group of Chekists in the Kremlin - usually identified as personnel chief Viktor Ivanov, head of the presidential secretariat Igor Sechin, banker Sergei Pugachev, and, according to some reports, Presidential Envoy to the central okrug Georgii Poltavchenko, resolved to push Matvienko into a runoff, assuming they couldn't block her victory altogether, to create problems for Presidential Chief of Staff Aleksandr Voloshin and his deputy Vladislav Surkov.

Initially, as an anti-Matvienko candidate, they backed Konstantin Sukhenko, the leader of the pro-Kremlin United Russia faction in the Petersburg city council and a local politician expected to make a brilliant career. However, after he announced his candidacy on 22 July, several of his Muscovite supporters decided to withdraw their promised support. Insiders claim that he behaved too independently, without waiting for direction from his Moscow backers. On 30 July, the United Russia general council banished him from the party, declaring that the party officially backed Matvienko's candidacy, and at the end of August, he lost his post as the head of the city council faction.

Ultimately, Sechin and Ivanov decided to provide substantial financial support to Sergei Belyaev, the former chairman of the Russian State Property Commission and the leader of the Our Home is Russia faction in the 1995-1999 State Duma. With these resources, election observers guessed that he would be the one to contest Matvienko in the second round. At the end of August, Markova's campaign manager Vladimir Bolshakov left her campaign to work for Belyaev. Bolshakov is a legendary political consultant in Petersburg since he headed Yakovlev's successful campaigns in 1996 and 2000.

Matvienko's team felt that the threat from Belyaev was so intense that her spin doctors switched tactics from presenting a positive message about Matvienko to claiming that everything had already been decided and that there were no realistic alternatives to her. Additionally, they distributed an open letter from the management of the Sheremetev airport about a criminal case against Belyaev, the former manager of the airport (<http://vybor.rosbalt.ru/article/4811.html>). They also disrupted Belyaev's meetings with voters to the point that he had to charter tourist boats on the Neva to avoid the interference. Ultimately, Belyaev did not have enough time to secure the votes necessary to enter the runoff.

Anna Markova ran a half-hearted campaign. Although she secured Yakovlev's core of supporters (15-16 percent of the vote), she did not conduct the kind of full-scale fieldwork (street pickets and door-to-door campaigning), which could win over wavering voters to her side. Such fieldwork was crucial because Matvienko controlled the media. Local analysis noted that the presidential envoy had a say over 7 of the 8 hours of the city's daily political broadcasts and the real newspapers could publish little about the elections because of the new federal law governing the media's role in the electoral process. Markova should have actively sent people out into the city's streets and apartment buildings to tell voters that the authorities had blocked her access to the media and therefore she had no alternative but to seek votes through personal contact rather than the media. Voters already put off by the effective appointment of Matvienko as their governor may have started to waver in their already weak support for her and voted for Markova. She also may have energized some of the people who ultimately did not vote. Most likely, Bolshakov's departure for Belyaev's campaign played the key role in the decisive September weeks leading up to election day because he could have put the necessary 10,000 field workers into play.

Without the street campaign, Markova had to focus her efforts on complaints to the court and electoral commission about Matvienko's use of administrative resources in blocking publication of her newspaper on flimsy grounds and, in the last days before the vote, the intervention of Vladimir Putin in favor of Matvienko. On 2 September Putin met with Matvienko in the Kremlin in an event that was widely reported in the media. In

doing this, Putin violated Russia's new legislation, but the television stations, rather than Putin or Matvienko, took the blame.

Matvienko herself was extremely energetic in wrapping up her campaign, meeting with various opinion maker, factory director, worker, veteran, and pensioner groups, impressing even those who did not back her. However, her staff's unprecedented arrogance and unscrupulousness, pressure on the press, dispersal of opponents' agitators, and haughty and highly paid Moscow consultants served her poorly.

Matvienko's victory in the runoff is beyond doubt, though the level of turnout will determine whether it is 60:30 or 45:35. Markova is not the kind of politician who can unify the anti-Matvienko opposition. Yabloko would never back her because "she worked as a deputy governor in Vladimir Yakovlev's government and bears responsibility for all the outrages that took place during that time." Some even claim that she is working in league with Matvienko. Indirect evidence for such an assertion came on 15 and 16 September when Yakovlev twice said that he backed Matvienko rather than his former deputy, the second time immediately following a meeting with Putin.

Matvienko's failure to win a clear victory in the first round puts her Kremlin patron Voloshin in an extremely uncomfortable situation. Sechin and Ivanov have won a tactical success, though it is not clear what Putin thinks about all of this. Potentially, the intended audience for Putin's meeting with Matvienko was the Petersburg chekists within his own administration. In recent months, this group has demonstrated unprecedented activeness in its attempts to revise the results of Russia's privatization, particularly in the attack on Mikhail Khodorkovskii's YUKOS and in efforts to set up yet another pro-Kremlin party, the People's Party, to counterbalance United Russia in the State Duma elections. Backing an opponent to Matvienko was part of this larger effort.

The on-going changes in the membership of the St. Petersburg city administration (effectively a purge) will continue. During the summer, three deputy governors left, and the Administrative Committee, which Markova headed, was reformed at the orders of the city's charter court. The new government will be formed in the next few weeks. For some spots, there are already 7-8 candidates. The key focus of dispute will be the creation of a head of government post to run the city's day-to-day affairs since Matvienko as the new governor will only handle representative and political functions. Thus, in some sense, the city will return to the kind of management it saw in 1993-1996, when Mayor Sobchak devoted himself to presentations and foreign trips, while Putin, Aleksei Kudrin, and Dmitrii Kozak ran the city behind his back. - Daniel Tsygankov in Moscow and St. Petersburg

KOZAK COMMISSION

On 16 September, the State Duma finally approved the Kozak Commission reforms on dividing power between federal, regional, and local governments in its third and final reading. The bill now goes on to the Federation Council and president before it becomes law. While the reform process had generated considerable attention over the last two years, the Duma's approval was little noticed as most observers are focused on the 7 December parliamentary elections. The following article describes the players and processes behind adopting the law so far. It is an excerpt of a much larger chapter, with a detailed analysis of the content of the law and extensive footnotes, in a book to be

published in 2004: Peter Reddaway and Robert Orttung, *The Dynamics of Russian Politics: Putin's Reform of Federal-Regional Relations, volume 2* (Rowman and Littlefield). The Carnegie Corporation of New York provided generous financial support for the larger book project.

FEDERAL, REGIONAL INTERESTS SHAPE LOCAL REFORMS

by Tomila Lankina

Initially ambivalent and inconsistent with regard to local government, President Vladimir Putin subsequently turned it into one of the central elements of his institutional and economic reform. In 2001, the president set up a special commission under the chairmanship of Deputy Presidential Chief of Staff Dmitrii Kozak and assigned it two tasks: delimiting functions between the federal, regional, and municipal levels of government, and reforming the existing local government system. The commission produced a series of proposals with seemingly contradictory tendencies. While local government supposedly would have a more stable and predictable financial base, the large municipalities would also be much more dependent on the regions where they are located. Putin was quick to describe the reforms as "revolutionary" and as a step towards a genuine and more efficient local government. Nevertheless, critics scored the administration for developing the reform package in great secrecy, and including numerous undemocratic and centralising ideas.

Although the reform's ostensible key concern is "local" in that it is to bring a more efficient and transparent local government to every city, village, and settlement in Russia, it is inextricably linked with the broader transformation of center-region relations and with the *political*, rather than purely "administrative" or "technocratic" concerns, behind them. The local government reform accompanied radical measures aimed at restructuring center-regional relations, through which the federal government gained extensive power and the regions lost many of their important prerogatives vis-a-vis Moscow. However, the governors were able to win major concessions from Moscow since they were given an important decision-making role in the Kozak commission, and their influence on the commission's work is apparent in provisions strengthening the governors' ability to select and remove mayors and control municipal spending. The local government lobby, in contrast, was granted only token representation in the key relevant decision-making bodies, and the critical voices of municipal practitioners warning against over-centralization were largely ignored.

The consolidation of regional control over local government (LG), and hence of the regions' power within their own territories, however, is unlikely to result in the strengthening of the governors' role in the federation. The federal government will now have additional powers vis-a-vis both the regional and local levels through the reformed system of fiscal federalism and its enhanced institutional and legal control over the localities. While many of the reform provisions genuinely aim to improve local governance, efficiency and service delivery, they also strip LG of many of its *democratic* prerogatives, and make it more financially and institutionally dependent on central and regional authorities, thereby making local government less likely to live up to the raised

expectations for it. Instead, local governments run the risk of being reduced to facilitating the extension of Putin's centralizing "power vertical" further down into the grass roots.

Key Players and Interests in Shaping the Kozak Reforms

The State Duma approved the final version of the bill on 16 September 2003, with 246 deputies voting in favor and 150, mostly from left-wing factions, casting their vote against. The one significant difference with an earlier draft was that the law will take effect on 1 January 2006, and not in 2005 as earlier planned. Observers view this delay as a concession to the regional governors who are unhappy with the proposals for intergovernmental finance contained in amendments to the tax and budget codes submitted by the government to the Duma in August because they reallocate a greater share of revenues not just from the local, but also from regional level, to the federal one.

Simply put, the main players in the reform process were a combination of presidential administration and federal ministry technocrats and regional politicians, with the two converging on many points. The problem is that neither of the two camps is particularly concerned with democracy, which should have been a key aspiration of LG reform: the technocrats were preoccupied with corporate-style efficiency, top down lines of accountability and control, while the regional politicians focused on consolidating power at the expense of local actors.

Much of the reform's substantive content reflects the technocratic zeal of the St. Petersburg economic and legal reform cadre in Putin's entourage. The St. Petersburg trained lawyer Dmitrii Kozak, who had worked with Putin for a number of years in the St. Petersburg mayor's office, is the perfect embodiment of this spirit. In his capacity as the head of the city administration's legal department, Kozak acquired the reputation of a "super-lawyer," meticulously scrutinizing draft legislation for its possible violation of city and federal laws. Kozak is now firmly associated with local government reform for reasons that go beyond the fact that he chaired the relevant commission. His legalistic mindset, inexhaustible and determined lobbying efforts, and almost fanatical drive shaped the reforms. The mentality, which pre-supposes that a "good law" could be a solution to the country's problems, appears in the excessively detailed nature of the reform provisions pertaining to the LG institutional setting.

The law's main provisions pertaining to LG finance are part and parcel of the government's overall economic reform efforts. The thrust of these reforms is to introduce greater transparency and efficiency into the fiscal process, and to claim for the federal center fiscal prerogatives and resources formerly assigned to regional, and, to a lesser extent, local levels of authority. The relevant reform efforts had already begun with the introduction of the "Program on the Development of Budget Federalism in the Russian Federation for the Period until 2005," adopted in August 2001. The Ministry for Economic Development and Trade and the Finance Ministry apparently played a key role in formulating the finance-related concepts of the reform. Deputy Finance Minister Yevgenii Bushmin was one of the three members of the Kozak commission's key working group on the "Development of Inter-Budgetary Relations," while Deputy Minister of Economic Development and Trade Mukhamed Tsykanov was one of the two members of the other important working group on "Economic development." Other evidence of the influence of key government economic figures on the economic aspects

of the reform is the fact that they largely mirrored the prescriptions Deputy Prime Minister Viktor Khristenko outlined in his book *Budgetary Relations and the Management of Regional Finances*, which was part of his doctoral work. The similarities between Khristenko's proposals, publicized when the commission was still working on its concept, and those that came out of the Kozak's commission actually prompted some observers to speculate that the whole "consultative" process involving dozens of experts was meant to serve as a facade for Kozak's determined effort to push through proposals irrespective of potential alternative views.

The *political* interests most strongly reflected in the proposals were those of the regional governors. The influence of these actors becomes evident if we consider that several other proposals having a direct bearing on the regions were being adopted (or at least debated) simultaneously with, or immediately prior to, the local government reform. The less popular of these reform proposals included the removal of governors from the Federation Council (depriving them of immunity from prosecution); the introduction of a federal power to remove governors from office if a court determined that they had violated federal legislation; provisions restricting the number of terms governors can serve (an idea whose implementation was postponed); proposals eliminating areas of joint federal-regional authority (usually in favor of the federal government); the annulment of bilateral power-sharing treaties between the federal and regional governments; the proposed reform of regional legislative elections, which could lead to the regional legislatures' greater independence from the governors; and the possible transfer of natural resource ownership and management to the federal level.

While the thrust of the reform agenda seeks to curb regional powers, aspects of LG reform actually promise advantages for the governors. Many observers believe the decision to grant the regions an important role in shaping local government reform was a concession aimed at appeasing them after they had been deprived of some important powers. Some of the regions even publicly endorsed proposals that would curb their powers at the federal level so long as they were less constrained in their actions vis-a-vis the municipal or "third" level of government. For example, in a public statement, Tatarstan president Mintimir Shaimiev endorsed the president's authority to remove regional leaders from office and to disband regional parliaments as "another step toward strengthening state power in Russia." "The president of Tatarstan," reported a Tatar republic newspaper, "supports this step and believes that it is long overdue. *Especially when it comes to giving the same right to regional leaders with regard to local authorities, there are no objections.*"

Efforts to appease the regions are reflected in the strong presence of the regional lobby in general - the governors and members of regional assemblies - in the key decision-making and "advisory" body entrusted with reform, i.e., the Kozak commission itself. Indeed, the commission's two key working groups - on the "Development of Inter-Budgetary Relations" and on "Economic development" - included such influential regional figures as Tatarstan's Shaimiev and Karbardino-Balkaria president Valerii Kokov (who is, like Shaimiev, an authoritarian regional leader). Moreover, other bodies, having a crucial "consultative" status in the reform process, such as the State Council "Working Commission on the Development of Local Government," also featured such regional heavyweights as Moscow mayor Yurii Luzhkov, Shaimiev, and Saratov governor Dmitrii Ayatskov, who have shaped and continue to shape the trajectories of

Russian federalism over the past and present decades. Like their colleagues, Luzhkov and Ayatskov hold their respective local governments on a short leash.

It is therefore not surprising that many of the governors, while criticizing some of the law's provisions, publicly endorsed it. The written document produced by the State Council's Working Group entitled "Local Government in the Russian Federation: State and Prospects for Development," contained no significant contradictions with the Kozak draft; in fact, its "suggestions" largely mirrored the Kozak proposals. The governors were also vocal in reiterating their support during the Council's October 2002 meeting chaired by Putin, and even called for identifying their particular region as a "testing ground" for the reform. Kokov, for example, hailed the Kozak draft as "*sud'bonosnyi*," (epochal); Kaluga governor Anatolii Artamonov deemed it "quite acceptable," and Mordovian president Nikolai Merkushev called it a "significant step forward." The one notable exception to the laudatory choir was Novgorod governor Mikhail Prusak, who criticized the law for trying to impose a set template on the Russian regions. However, President Putin promptly silenced him by firing off an angry diatribe at the State Council meeting that was then widely publicized by the media.

The indirect influence of the regions also stems from the fact that despite their loss of some power within the federation, they are still looked upon as crucial players in the federal level political and electoral process. This role is particularly important considering that the reform package was being drafted on the eve of the December 2003 Duma and March 2004 presidential elections, in which the administrative resources the governors control are crucial for delivering the "appropriate" vote.

The weight of the regions in the reform process is in stark contrast to the negligible impact of the party most concerned - the municipalities themselves - who had few opportunities to air their views or influence the reform provisions. Because of the haste and closed nature of the reform process, there was no effort to test the proposals out in some municipalities on an experimental basis. One member of the Kozak Commission did indicate that "pilot" projects would be carried out in some municipalities, but only in the course of 2003, i.e., immediately prior to, or after the adoption of the law. Those towns that did manage to air their views in the press or otherwise, were often sharply critical of the proposals, but these views did not make it into the final draft. The Union of Russian Cities, the country's most influential municipal association because it unites powerful regional capitals, expressed strong concerns about the draft, particularly regarding provisions that pave the way for redistributing lucrative property from the municipal to regional level. Other practitioners criticized the nature of the reform process itself. At a gathering of the mayors of the central federal district in June 2002, the city leaders expressed outrage that the commission worked in a closed way, and that the scant information that they managed to get hold of came not from official sources, such as *Rossiyskaya gazeta*, but from *Kommersant* or other independent news media. Their input was sought only after the concept had already been written and approved by the president, i.e., when they were unlikely to have any meaningful influence on it. Another expression of municipal outrage at the reforms was the creation of a Union of Local Self-Government Representatives at a special meeting that took place in the city of Voronezh and involved 72 delegates from 57 cities. The Union proclaimed the "struggle against Kozak's draft reform legislation" as its main goal.

Significantly, the "municipal lobby," which should have logically played a much greater role in shaping the reforms, was also very weakly represented in the Kozak commission in comparison with the overwhelming weight of regional and federal government officials. At the same time, individuals on the commission who were not municipal practitioners, but who sympathized with the aspirations of the local governments, felt they could not influence the reform proposals. Out of the 22 members of the commission, only two represented the local government lobby - Novgorod mayor Aleksandr Korsunov (who tragically died in an unrelated car accident while he was on the commission), and the president of the Congress of Municipal Authorities Oleg Sysuev. The regional lobby, in contrast, was represented by six governors and regional legislators. The largest group on the commission (14) were representatives from the federal government or other federal executive agencies. Moreover, two of the three governors sitting on the commission (the third being the governor of Vologda oblast) - Tatarstan's Mintimir Shaimiev and Kabardino-Balkaria's Valerii Kokov, - did not support strong local government in their republics and there is no reason to believe that they would in the draft law. Shortly before his death, the commission's one municipal official, Mayor Korsunov, sharply criticized the proposed reforms, particularly the idea of a hired manager, which he saw as a veiled effort to facilitate control of municipalities by the federal center. The other key municipal figure, Oleg Sysuev, strongly opposed some key aspects of the reform, such as the appointment of a city-manager, but these views were also not reflected in the final draft law. Sysuev also expressed his strong disappointment at the government's failure to guarantee adequate financing for local government by claiming that the local authorities' financial and economic dependence on regional and federal bodies will mean "simply a return to an authoritarian system." Some other members of the commission expressed frustration because they felt they could not influence the draft provisions that they disagreed with. Several of the critics from within the commission, such as academics from the Russian Academy of Sciences, even went as far as resigning due to principled disagreements with the thrust of the reform.

The Duma, with some exceptions, did not serve as a major obstacle to the Kozak reform, although it did demonstrate its muscle with respect to isolated provisions that were perceived as harming the interests of regional governors. The Duma's committee on local government had a clear pro-Kremlin majority. Its chairman, Vladimir Mokryi, a member of the United Russia party, was one of the key public spokesmen for the Kozak reform. In an apparent manipulation of the decision-making process, the committee's pro-Kremlin ranks were strengthened further by adding additional presidential loyalists shortly before the committee was to consider the bill in its first reading on 21 February 2003. The predominance of the pro-Kremlin parties in the Duma as a whole also ensured that no significant opposition to the draft would emerge from this body during the voting. The pro-government "centrist" parties, such as Fatherland-All Russia, Unity, Russian Regions and People's Deputy fully endorsed the main thrust of the local government reform as they had backed Putin's earlier reform legislation.

Critics among the deputies were largely concentrated among the Kremlin opposition, or parties that are not consistently loyal to the Kremlin, but they had little chance of influencing the main thrust of the reform considering their minority in the Duma. The Union of Right Forces (SPS) in particular denounced the draft. SPS deputy Nikolai Brusnikin maintained that the law, should it be adopted, would foster a system

whereby local government, rather than serving the interests of the local populations, would become an "organ, subordinate to the regional administration." SPS party leader Boris Nemtsov was even more blunt: "The main result [of the Kozak commission] work," he maintained, "will be the destruction of local government as part of the common doctrine of strengthening the power vertical." However, the SPS expressed doubts that it would influence the final shape of the reform considering Kozak's lobbying efforts in the Duma and the setting of unrealistically short time periods for considering the law.

The one significant exception among the critical voices of the liberal Duma deputies was the Yabloko party, which welcomed the reform. It claimed that some of its concrete proposals aimed at strengthening local government independence found their way into the draft. For example, Yabloko asserted that the ideas of a local government system consisting of two main tiers, and assigning fixed, long-term shares of federal and regional taxes to the local level actually originated within the party. On the other hand, Yabloko protested against some other key aspects of the reform legislation, such as the facility with which municipal executives could be removed from office by the governors and the weak financial base of the local governments. The fact that several of Yabloko's substantive points of criticism failed to appear in the final version of the law serves as additional evidence demonstrating the Presidential Administration's strong influence in the reform process.

Starkly contrasting with the declared aim of serving the interests of the citizenry, the broader public had little input into the reform proposals. The secrecy with which the Kozak Commission surrounded its work makes one think that a classified document concerning issues of top national security was being debated, not a law dealing with the fundamentals of grassroots rule. The scant public information about the law usually came from interviews given by Kozak himself. The first official draft was made public in October 2002, shortly before it was hastily rushed through the first of the three readings in the Duma.

Overall, the new legislation reflects Kozak's and other executive branch officials' legal and technocratic vision and the political interests of the regional leaders. These influences are apparent in provisions concerned with local government efficiency, transparency, and improved service delivery, but also the strong centralization of fiscal and institutional prerogatives in the federal center, on the one hand, and in the political compromises with regional governors, on the other.

REGIONAL RESOURCES

"The Duma Districts: Key to Putin's Power," by Henry E. Hale and Robert Ortung is now available at the PONARS website
<http://www.csis.org/ruseura/ponars/publications.htm>.

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RUSSIAN REGIONAL REPORT SPONSORS

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

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

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Russian Regional Report
(Vol. 8, No. 19, 14 October 2003)

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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BUSINESS AND POLITICS

LUKOIL SEEKS TO REPLACE NENETS GOVERNOR. In the coming years, the source of Russia's oil wealth is likely to shift from Siberia to the Northwest, as older wells dry up and new ones come on line. Controlling this region will be crucial to the success of Russia's oil companies. On 25-26 September LUKoil sponsored an Arkhangelsk conference on the situation in the oil-rich, but sparsely populated Nenets Autonomous Okrug, seeking to gather more information to continue its long-running campaign to discredit okrug governor Vladimir Butov and replace him with someone more loyal to the company.

Butov won election as governor in 1996 and in 2000 was triumphantly reelected, receiving more than 70 percent of the vote. LUKoil reportedly invested \$10 million in the campaign backing Butov's opponents, but failed to replace the governor at the ballot box. Butov was then extremely popular among the local population as an energetic and business-like fighter for the okrug's interests, tirelessly forcing the newly arrived oil companies to loosen their purse strings. LUKoil's public relations experts did not take this into account in their campaign effort.

LUKoil seeks to remove Butov because it would like to work in the region under favorable conditions. Currently, Butov personally and his associates, through various commercial enterprises, control all economic life in the okrug. The Nenets Oil Company, which Butov personally controls, has most favored status. The governor claims that he set up the company to defend the okrug's economic interests. Other oil companies have a difficult time working in the region because they are under constant administrative pressure from the governor. Nevertheless, 24 other oil companies are working in the

region, either searching for oil or processing it. Among them are foreign firms such as the French Total, Norwegian Norsk Hydro, and others.

Observers believe that in recent years, Butov's government has become increasingly aggressive and criminalized. During his career as a businessman before winning the governor's office, Butov was twice convicted of criminal offenses. For several years, the local press, sponsored by LUKoil, and the central media have written about the unmonitored use of okrug budget funds and serious financial wrongdoing in the provision of winter supplies to the area. In the beginning of 2003, the governor provoked a scandal when he appointed St. Petersburg "vodka king" Aleksandr Sabadash as his representative to the Federation Council, despite the objection of the okrug legislature (only 1 of 15 deputies backed him). Ultimately, the Federation Council refused to ratify the appointment (*Versiya*, 25 June - 1 July).

Additionally, the legislators and auditors have raised numerous questions about the implementation of the budget this year and in past years. The okrug's income is similar to the income of regions like Tula and Kaluga though Nenets only has one-tenth the population of these places. According to the 2002 census, the okrug population is 41,500. However, this money does nothing to improve the population's low standard of living.

This is the point that Chief Federal Inspector for the Nenets Okrug Aleksei Barinov made in his presentation at the conference and a subsequent press conference. Barinov became the federal inspector only in June 2003. Until his appointment, he was general director of the Arkhangelskgeoldobych, which is a subsidiary of LUKoil.

Barinov described the situation in the okrug as a crisis, particularly in the social sphere. Although the average pay in the region is a relatively high 9,000 rubles a month, rural residents receive only a fifth of that sum. Reindeer herders theoretically make 2,800 rubles a month, but in reality their pay is just 600. The state of the education and healthcare facilities in the okrug's capital are abysmal, and many of the buildings should be closed because they are not fit to be used. Many villages do not have electricity from the main grid and lack technicians trained to operate diesel-fired power stations. In the absence of such qualified personnel, there are numerous accidents and fires at the stations.

In 2000 and 2001, the okrug budget ended the year with a surplus. However in 2002, it fell into deficit. Barinov pointed out that the legislature on 25 September refused to accept Butov's report on how he had executed the budget over the previous year, declaring his performance unsatisfactory. He claimed that both branches of government were in crisis and neither had a long-term plan for the region's social-economic development.

The okrug has enormous potential. In the next few years, oil production will reach 20 million tons a year. Additionally, exploration is just beginning to tap off-shore sources, making the region an attractive destination for potential investors. The okrug could increase its revenue by strictly applying its tax legislation, though the governor has never done this. Rather the administration gives all supply and construction contracts on favorable terms to firms affiliated with Butov.

The key point of Barinov's presentation was that today the region is effectively ungovernable. During the last 2.5 years, the governor spent no more than 100 days in the region, preferring to manage its affairs from Moscow. Executive branch bureaucrats don't

risk solving many problems on their own because traditionally Butov makes all decisions personally. The okrug legislators wrote about this situation in a letter to President Putin, which was published in *Nezavisimaya gazeta* on 5 September. The deputies pointed out that "Butov is a target of several criminal cases, but remains beyond the reach of the legal system."

At his press conference, Barinov said that several investigations are underway and that Butov will be held accountable for any legal violations he might have committed. Butov's predecessor as governor, Yurii Komarovskii, has been charged with the improper use of budgetary funds. Barinov said that in October representatives of the Russian government will come to okrug capital Naryan-Mar to study the social-economic situation there. This session may try to exert some pressure on the okrug administration.

Barinov expressed little enthusiasm for the idea of merging the region with one that was better governed, for the obvious reason that he hopes to be Nenets governor someday. Today, Butov's standing in the region has dropped off sharply and Barinov is one of the best-positioned candidates to replace him. If he were to win, then LUKoil could declare a complete victory in its battle to control the okrug's political institutions. The next gubernatorial elections will take place in March 2004, simultaneously with the presidential elections.

If Barinov wins, then LUKoil will dominate both the political and economic scene. Rosneft is also a powerful local player, but its economic position is much weaker than LUKoil's. It recently signed a cooperation agreement with LUKoil, giving the company a freer hand. In exchange, Rosneft will have access to the oil terminal LUKoil is building, which will eventually send oil to Europe and North America. Additionally, LUKoil gave Rosneft control over several oil deposits in Arkhangelsk. - Yurii Shabaev in Syktyvkar

ELECTIONS AND CORRUPTION

INDICTED TVER GOVERNOR SEEKS ANOTHER TERM. On 9 October Tver Governor Vladimir Platov formally announced that he would seek another term as governor (*Veche Tveri*, 10 October). Platov's public statement came shortly after the regional procurator charged him with abuse of office. The charges focus on the distribution of bonds, which allegedly led to the embezzlement of significant amounts of money from the oblast budget (see Russian Regional Report, 12 September).

Simultaneously with the charges leveled against the governor, the regional and federal media have engaged in a widespread campaign depicting the governor in an extremely negative light. The governor has refused to surrender in the face of this frontal attack and now is rallying to defend his position.

Platov has long held the view that the "victors will not be judged." In the face of the criminal charges pending against him, this aphorism has become particularly timely. Most likely, the governor sees his victory in the campaign as security that the charges against him will be dropped.

At this point it is not clear if the Kremlin has made a decision to remove Platov or if it will support him if he is able to secure the backing of his constituents. In either case, the 7 December governor's race should bring many surprises and is currently under way

with the participation of a person who has significant administrative resources at his disposal to assure his victory. - Boris Goubman in Tver

FEDERAL AUTHORITIES FILE CHARGES AGAINST FORMER KURSK GOVERNOR. Last week the investigative arm of the Ministry of Internal Affairs' Central Federal Okrug office charged former Kursk Governor Aleksandr Rutskoi with abusing his office. The charges focus on the 1999 "combine affair." As the media pointed out, the charges coincided with the 10th anniversary of the October 1993 events in which Rutskoi led a rebellion against Yeltsin's government. When the charges were filed, Rutskoi himself was receiving treatment at a Moscow cardiology center.

The law enforcement authorities have apparently decided to shine a light on Rutskoi's management of the oblast in 1997 and 1998. Most of the current accusations are connected with the quick rise and collapse of the Kursk Guberniya Bank, the Latvian, Pareks-Bank, and several foreign firms.

According to the charges, as governor Rutskoi illegally received a 35 million ruble credit in Pareks-Bank. In 1997 and 1998, oblast officials used this money to purchase Don combines and Czech milling equipment, costing the oblast budget a significant sum in the process. The court has already prosecuted some players in the combine affair. Two of Rutskoi's deputies were indicted and the former governor was called as a witness. On that occasion, First Deputy Governor Yurii Kononchuk was able to avoid trial for health reasons, but Deputy Governor Vladimir Bunchuk was convicted. The court found that Rutskoi's people paid 14 million rubles more than they should have for the equipment. Rutskoi called that investigation a political provocation, a claim that he has continued to make in responding to the current accusations (*Drug dlya druga*, 7 October).

In the present case, Rutskoi asserts that the charges are connected with his decision to participate in the 7 December State Duma elections. He identified Presidential Envoy Georgii Poltavchenko, Governor Aleksandr Mikhailov, and oblast police chief Aleksei Volkov as behind the accusations.

The "combine affair" is only one of numerous well-known financial scandals that took place in Kursk Oblast while Rutskoi was in power. In August 1993, the Moscow procurator investigated then Vice President Rutskoi's participation in the illegal transfer of \$3 million to a company headed by a Swiss citizen. In 1998, a variety of criminal cases were filed against Rutskoi's son and two brothers. At the end of 2000, Rutskoi had to answer charges about the privatization of the apartment he received as governor and the court disqualified him from the governor's race in which he sought a second term.

During Rutskoi's four years in office, there were 26 criminal cases filed against oblast or local officials, with 19 of them leading to convictions. The most prominent targets were the two deputy governors mentioned above (Kononchuk and Bunchuk), oblast prime minister Boris Khokhlov, and raion administration chiefs Yurii Goncharov and Vasilii Filchakov. - Sergei Sarychev in Kursk

MEDIA

TYUMEN GOVERNOR CRACKS DOWN ON LOCAL TELEVISION. The State Labor Inspectorate, Tyumen procurator, and the Russian Glasnost Defense Foundation

have opened separate investigations into the firing of journalists and technicians at the Tyumenskoe vremya television and radio company. Unfortunately, the recent mass firings there are far from the first such incidents in the region.

Tyumenskoe vremya is a private holding company that combines several stations which once belonged to individuals, but now are under the control of Tyumen Governor Sergei Sobyenin. An agency loyal to Sobyenin acquired a controlling stake in the company over the summer through a complicated combination of "administrative schemes" and quickly changed the management of the station. In his first days in office, the new manager announced that he was replacing the head of the station's news service, provoking a strike by all news service employees. The new managers ignored the demands of the journalists and the strike ultimately ended when some of the journalists were fired and the rest returned to work.

Subsequently, the new managers announced that they were canceling a number of broadcasts. However, in carrying out these moves, the managers violated a number of Russian labor laws, the aggrieved journalists claim. The termination notices allegedly were not sent out according to formal procedures, which require substantial severance payments to the terminated employees. Additionally, the journalists claim that they were summoned one-by-one to meet with the managers, who suggested that they resign voluntarily. Otherwise, the managers threatened to fire them for cause, presumably as punishment for violating work rules. The journalists are trying to stand up for their rights, but the prospects that the station managers will voluntarily make concessions are minimal.

The Tyumen authorities have a long tradition of keep tight control of the media and there have been numerous past instances when journalists have been demoted or thrown off the air for "incorrectly" reporting the activities of the oblast administration. - Yelena Arbatskaya in Tyumen

LAW ENFORCEMENT AGENCIES

NEW PERM POLICE CHIEF AIMS AT ROADSIDE CORRUPTION. In his first days as the new Perm Oblast police chief, Yuri Gorlov has made improving security on the region's roads one of his top priorities. With an order from the Russian Ministry of Internal Affairs and in coordination with Governor Yuri Tryutnev and the oblast's police department, Golov set up a new Road Sentry Service. The new service will deal with a range of issues, from corruption, to drug-trafficking and reducing the number of automobile accidents.

The large number of accidents in Perm is a major headache for the oblast administration. In the first eight months of 2003, more than 400 people died in 2,500 accidents. The low quality of oblast roads and reckless drivers are to blame. Since it would take large sums of money and lots of time to rebuild local roads, the oblast leadership seeks to reduce the number of accidents by improving driver discipline. The new service seeks to monitor the most dangerous stretches of roads and improve the quality of the inspectors.

Oblast and law enforcement officials describe the current work of road patrols as unsatisfactory. Often in rural areas where everyone knows everyone else, inspectors turn a blind eye toward even major infractions such as drunken driving. Now the authorities

are working to increase the number of road inspectors and the quality of their work. The new coordinated unit will have a staff of 900, up from the previous 150, who worked with various traffic police (GIBDD) subunits. The head of the new unit is police Major Aleksei Kozlov, known for his loyalty to Governor Tryutnev.

Upon the establishment of the new service, the governor gave its members the keys to 25 new cars, at a cost of 3 million rubles to the oblast budget. The new inspection posts will be established on the region's main roads leading from Perm to Berezniki and Kungur. Sections of the road will be the personal responsibility of individual inspectors. Thus, if there is a growth in the number of accidents on a particular officer's road, he will not receive a bonus.

Beyond improving road safety, the new service is responsible for combating auto theft and participating in anti-terrorism activities. With the creation of the new road service, Tryutnev and Gorlov hope to reduce the amount of corruption among senior road police officers. They also hope to defend the honor of the police service, which is threatened by rumors that some officers are involved in providing cover for drug traders.

The Perm traffic police take pride in describing their forces as more democratic than those of neighboring regions such as Tatarstan, Udmurtia, and Bashkortostan. At the same time, the loyalty of the new oblast service to the governor gives Tryutnev an extremely powerful administrative resource, making it possible to monitor all transport communications. The governor will undoubtedly use his links in upcoming election campaigns. - Yevgenii Snegirev in Perm

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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.

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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), the editor of the Russian Regional Report.

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Russian Regional Report
(Vol. 8, No. 20, 29 October 2003)

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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CIVIL SOCIETY

KHODORKOVSKII ARREST LEAVES SOUR TASTE AT STATE-SOCIETY CONFERENCE. Over 2,000 representatives of the state, business, and civil society met in Nizhnii Novgorod 23-25 October for the Russian Forum. Speakers such as Presidential Envoy Sergei Kirienko, Chairman of the Presidential Commission on Human Rights Ella Pamfilova, and Kremlin publicist Gleb Pavlovskii hailed the success of the dialogue between the three groups, but many participants disagreed with this assessment. In particular, the arrest of YUKOS leader Mikhail Khodorkovskii on 25 October made a heavy impression on the majority of participants about the "constructiveness" of the relationship between the authorities, business, and society. Khodorkovskii had addressed the forum on 24 October. Apparently, the Kremlin prefers to have an imitation of a dialogue with society, combined with the tyranny of building a hierarchy of power.

In contrast to the Civic Forum of November 2001, where 5,000 representatives of non-governmental organizations met with high level Russian officials who had the ability to take action, the Nizhnii Novgorod meeting consisted mainly of discussions that were not tied to policy in any way (on the Civic Forum, see Russian Regional Report, 28 November 2001). The officials that the social group representatives met were not in a position to make policy decisions. Only two ministers and a few deputy ministers showed up for a few hours at the conference. There were no governors at all, including the governor of Nizhnii Novgorod, and deputy governors came from only 3-4 regions.

Many of the most important civil society groups were absent as well. Significant numbers of them could not participate because governors' offices determined the members of regional delegations to the meeting, blocking the participation of groups they did not like. Beyond the groups that were excluded, many additional groups were not interested in participating in such a controlled event.

The conference program also was filled mainly with people who are close to the authorities, such as Pavlovskii, Sergei Markov, Director of the Moscow-based Political Research Institute, and Maria Slobodskaya, president of the Institute for Problems of Civil Society. They monopolized the discussions in the various plenary sessions and in compiling the conclusions the conference issued. One woman representative who happened to gain access to the microphone asked directly, "What kind of civic forum is this, what kind of dialogue between the authorities and society, if Kirienko, Pamfilova, Pavlovskii summarize the proceedings and there are no real representatives of civil society?" - Andrei Suslov, a participant in the Russian Forum, Nizhnii Novgorod-Perm

LAW ENFORCEMENT AGENCIES

URAL POLICE FORCE IN CRISIS OVER FAILURE TO REGISTER CRIMES.

The widespread failure of police in the Ural Federal Okrug to register crimes and combat drug trafficking threatens to paralyze the work of law enforcement agencies, Deputy-General Procurator Yurii Zolotov complained at a 17 October meeting of regional procurators. According to procuracy data, police officers in the okrug failed to register over 13,000 crimes out of the total of 218,000 crimes in the first nine months of 2003 (IA Novyi region, 17 October 2003). This figure shows that the situation is deteriorating from 2002, when the police failed to register 14,000 crimes during 12 months.

The problem with unregistered crimes is so severe in the Urals that the Russian Security Council addressed the issue at a meeting in early 2003. At the session, the Procuracy and Ministry of Internal Affairs (MVD) agreed to cooperate in an effort to improve the statistics. The MVD set up special commissions to monitor crime registration in every regional police department, while the Procuracy ordered regular examinations of crime registration statistics.

Even with the extensive amounts of underreporting, the crime rates in the okrug are 20 percent higher than the nationwide average, including street crime, which is 33 percent more common than in Russia as a whole, according to Russian Minister of Internal Affairs Boris Gryzlov, who visited the Ural Federal Okrug earlier in October. Against this tide of rising crime, the police data showed a 13 percent decline in drug-related crimes in the okrug in 2003 as compared to 2002 (ITAR-TASS, 8 October 2003). The police tend to hide crimes where there are no clearly identified suspects, such as thefts, robberies and drug-related offences. Also, the police tend to ignore medical records describing criminally-inflicted wounds or violent deaths when there is no suspect.

Tyumen Oblast has the highest crime rates in the Ural Federal Okrug, and they grew by 21 percent in 2003 compared to the previous year. Between January and August 2003, the Tyumen Procuracy found over 2,600 unregistered crimes, including 15 pre-meditated murders and over 30 offences involving serious bodily harm, according to Tyumen Procurator Ernest Valeev. Even worse, the Tyumen Procuracy warned of a clear trend of growth in unregistered crimes: in 2001, there were 1,500 unregistered offenses,

and in 2002, 2,500 such omissions (*Parlamentskaia gazeta*, 2 July 2003). The only way to overcome this crisis, according to Valeev, is to completely overhaul the Russian police system to minimize the incentives for the police to hide crimes (IA Regnum, 26 September 2003).

Zolotov blamed the decline in the number of arrests for drug trafficking charges on the slow pace of setting up new anti-drug agencies (OBNON) in the regions (see Russian Regional Report, 12 August). He vowed to speed up the recruitment of officers and told the procurators to supervise the work of the new departments. Zolotov's concern is justified because Sverdlovsk Oblast alone has over 80,000 drug addicts and serves as a main distribution center for the heroin and marijuana trade from Afghanistan, according to the latest OBNON figures (IA Uralinformbyuro, 14 October 2003).

While the failure to register crimes and rivalries between the police and the Procuracy are nothing new (Russia had over 70,000 unregistered crimes in 2001), the Procuracy is now bringing criminal charges against police officers alleged to have hidden crimes. Between January and September 2003, the Ural Federal Okrug Procuracy initiated 84 criminal cases against such police officers and imposed other disciplinary sanctions on 1,300 police officers. In Tyumen Oblast alone, the Procuracy charged 16 police officers with criminal violations and imposed various administrative sanctions on nearly 300 policemen for the failure to register crimes. In response, 5,000 police veterans, with work experience ranging from 10 to 20 years, quit the force in the Okrug during the first nine months of this year (ITAR-TASS, October 8, 2003). Not surprisingly, very few of them are likely to join anti-drug units and continue to work under the procuracy's tight supervision.

While punishing dishonest police officers may help to increase the proportion of registered crimes, it does little to address the underlying problems, such as a lack of transparency and rampant corruption, which require a radical reform of the crime registration system across Russia.

How else can Russian authorities overcome the widespread public distrust in the police? Recent public opinion polls show that 43 percent of Russians believed that law-enforcement agencies presented a "health hazard," 39 percent believed that police force was corrupt, and only 23 percent felt that law-enforcement agencies could help them (*Rossiiskaya gazeta*, 15 October 2003). -- Alexei Trochev

POLICE AND ELECTIONS

NEW POLICE CHIEF APPOINTED IN ROSTOV. At the beginning of October, President Putin fired Rostov Oblast Police Chief Vladimir Shevchenko, apparently for his involvement with organized crime figures in the oblast. The scandal surrounding Shevchenko only gathered steam now in the run-up to the State Duma elections, even though the Moscow press had accused him of ties to the mafia in August. The reports then tied Shevchenko to the Olimpovskaya crime group, which is active in the city of Volgograd. Shevchenko also allegedly tried to block a court case against his son who had been charged with injuring two people while driving a car under the influence of drugs. This incident was widely reported in the local press and further damaged the already low image of the police force in the region.

On 16 October, Putin appointed Aleksei Belozеров as the new police chief. Previously, Belozеров served as police chief in Orenburg Oblast and the city of Sochi (Krasnodar Krai). Belozеров apparently has close ties to Presidential Envoy to the Southern Okrug Viktor Kazantsev. The outgoing Shevchenko, by contrast, was a Rostov local who had served as a protege to his predecessor as Rostov police chief, Sergei Shchadrin, who is now deputy minister of internal affairs responsible for the Central Federal Okrug. Apparently, the ministry wants to put outsiders in charge of the police so that they do not have ties to local criminals (*Delovoi Rostov*, 15-21 October 2003, www.gorodn.ru).

Some observers have tried to link the firing of the Rostov police chief with the numerous recent arrests of Moscow police and emergency response officials. However, there does not seem to be a connection. Despite the seriousness of the charges against him, Shevchenko was not arrested, unlike the Moscow officers or the police chief of Kalmykia, who was jailed in May 2003.

During the last five years, the Rostov police chief has been replaced four times. In these cases, only Shchadrin has received a promotion. His predecessor as Rostov police chief, Mikhail Fetisov, was fired because the Rostov governor was unhappy with his work. After he lost a bid for a State Duma seat in 1999, he was appointed deputy presidential envoy to the Southern Federal Okrug, with responsibility for coordinating the actions of the law enforcement agencies. In that job, however, he lacked any real influence over the agencies. Currently, Fetisov heads the regional department for financial oversight, which monitors large-scale financial transactions.

With the numerous changes at the top, three key players have been jockeying for control of the Rostov police: the leadership of the Ministry of Internal Affairs, the governor, and the presidential envoy to the Southern Federal Okrug. Each side is constantly seeking to place an ally in chief's chair. These intrigues have a negative impact on the police's work and the force's image among the population. Such images are particularly important now in Russia's electoral season, when Minister for Internal Affairs Boris Gryzlov is also the head of the main pro-Kremlin party, Yedinaya Rossiya.
- Maksim Vaskov in Rostov-na-Donu

DUMA ELECTIONS 2003

SARATOV JOURNALIST THREATENS CHANCES OF POTENTIAL NEW DUMA SPEAKER. Vyacheslav Volodin, one of the leaders of the pro-Kremlin Yedinaya Rossiya faction in the State Duma, hopes to become Duma speaker following the 7 December elections. First, however, he must win election from his hometown single-mandate district in Saratov (District 156). He is facing a threat from a pesky Communist journalist who is causing problems not only for the candidate, but Governor Dmitrii Ayatskov, who wants to show the Kremlin that he has the political situation in his region under control.

Vladimir Yefimov, the journalist in question, published an article in the 26 July issue of the radical left-wing *Sovetskaya Rossiya*, which accused Volodin of owning one of Saratov's most important heart care sanatoria. Volodin denied that he own the facility and sued the journalist and newspaper for their publication. The journalist could not prove his case, and on 8 October a Saratov court ordered the newspaper to print a

retraction and to pay Volodin 500,000 rubles. The court also ordered Yefimov to pay Volodin 5,000 rubles. Volodin said that he would divide the money among five orphanages.

Even before he had lost the case, Yefimov filed a counter suit, charging Volodin with slandering him and seeking damages from the Saratov television station, which had broadcast a Volodin interview critical of Yefimov. The journalist claimed that Volodin had wrongly accused him of vacationing abroad (Yefimov has not been outside of Russia since the breakup of the USSR) and taking payment to write the article. He is seeking 75,000 rubles from the television station and 50,000 rubles from Volodin. Observers believe that Yefimov has a good chance of winning such a judgement. The media is constantly discussing the case because of rumors circulating around various deals concerning the trial. Yefimov claims that in pre-trial negotiations, Volodin offered to forego the money that he had won in exchange for Yefimov dropping his allegations.

The case is costly politically for Volodin because his main opponent in the Duma race, Communist Olga Alimova, will certainly seek to use Volodin's likely loss to show that he is guilty of slandering a communist.

The stakes are high since Volodin seeks the post of Duma speaker. His chances of becoming the head of the lower chamber will be improved if he wins election from his hometown single-mandate district rather than from the Yedinaya Rossiya party list.

Governor Dmitrii Ayatskov has mixed feelings about working to secure the victory of Duma faction leaders in his region since they are politically independent and do not have to take orders from him. Of the four Duma members from Saratov's single-mandate districts, only Nikolai Sukhoi works closely with him. However, as someone who considers himself a loyal member of Putin's team, Ayatskov wants to demonstrate that he is able to maintain control over the situation in Volodin's district. The Communist inspired lawsuit is making this task much more complicated. - Ilya Malakin in Saratov

BUSINESS AND POLITICS

BIG BUSINESS, SMALL BUSINESS AND THE KOMI AUTHORITIES. The Komi authorities have taken different approaches to small and big business in the republic, largely ignoring small business while working closely with big business.

The republic's legislation on supporting small business is now largely out of date because of the numerous changes implemented in federal legislation on small business. While the authorities have promised to retain low interest loans and transportation credits for shipping goods to outlying areas of the republic, they all recognize the need for new legislation. In an unusual move, the republican legislature has asked the governor to submit proposals on how the region can develop small business (*Respublika*, 24 October).

Despite praising small business over the last several years, Komi has actually reduced state support for it. Nevertheless, the number of small businesses and the number of people employed in small businesses have generally grown. However, in 2003, the data show that the number of small businesses shrunk in comparison to 2002.

So far, small business has not asserted itself as a political force in the republic. Although there is a republican association of entrepreneurs, which holds a regular series of seminars, small business has no permanent and weighty presence on the republic's

political stage. Such silence reduces the ability of small businesses to lobby their interests.

The republican authorities hope to win support for small business by participating in a World Bank program with this goal. The program will provide technical support and credits at low interest rates. However, participation in the program requires having a plan to develop small and medium-sized business. Today such a plan does not exist even though as long ago as April 2003, the republican government said that it was working on one (*Respublika*, 30 April).

Overall, Komi is one of the worst off regions in terms of small business. Only 7 percent of Komi's workers are in this sector, while the Russian average is 18 percent, and Moscow and St. Petersburg boast figures as high as 26 percent. There are only three small businesses per thousand residents in Komi, while the average in Russia is 6, and in the European Union, 30.

The Komi government has devoted much greater attention to big businesses in the region. The heavy concentration of natural resources in the area favors large companies because developing the deposits requires significant capital outlays. Big business dominates all sectors of the economy: LUKoil controls 90 percent of the oil resources, Severstal mines the republic's coal, SUAL controls the bauxite, and Neusiedler manages a significant part of the forestry complex. The republican leadership has signed cooperation agreements with many of these companies, including LUKoil, Nobel Oil, Neusiedler, Unified Energy System, SUAL, and Severstal. It is preparing to sign agreements with several others, including Rosneft, Yenisei, Transneft, Pechorneftegaz, and Gazprom. The agreements seek to increase the republic's tax revenue by getting the companies to agree not to use internal pricing. According to First Deputy Governor Nikolai Levitskii, these agreements have already increased budget revenue by about one billion rubles. This new influx of money counters the recent changes in federal tax and budget legislation, which directed money from the regional to the federal level (*Respublika*, 24 October).

Because the companies listed above are major contributors to the republican budget, and because a greater share of regional money is going to the federal budget, the companies' role in supporting the budget, and overall social stability, is constantly growing. Accordingly, their political influence is also growing. Therefore the big companies are becoming local "economic dictators." LUKoil is pushing small oil companies from the market and is trying to acquire many of them. Neusiedler is gaining access to all of the best forestry holdings and processing plants. The republican government not only lacks the ability to block this process, but often takes the side of big business. During the March 2003 regional legislative elections, these companies all elected representatives as deputies. Now the industrial lobby is the strongest group within the legislature. Moreover, Governor Vladimir Torlopov owes his victory in December 2001 to several large corporations and has worked to protect their interests.

In the near future, Komi will provide the best possible conditions for large companies, while the future of small business will depend on the pragmatism of the authorities and their farsightedness. A thriving small business sector could become a real political counterweight to the dictatorship of large companies and could secure the authorities the level of political independence required for developing civil society. -
Yurii Shabaev in Syktyvkar

RUSSIAN-UKRAINIAN RELATIONS

KRASNODAR DAM CONSTRUCTION THREATENS TERRITORIAL

CONFLICT. The decision by the Krasnodar Krai authorities to construct a dam connecting the krai shore to Tuzla Island in the Azov Sea, which is part of Ukraine, has sparked the most serious confrontation in Russian-Ukrainian relations in the post-Soviet period.

Tuzla is nothing more than 5 square meters of sand. At the beginning of the twentieth century, it was at the end of a spit that closed off almost all of the shallow Kerch sound, which today divides Russia and Ukraine. Over time storms washed away the sand and the spit was reduced into a chain of islands. At the end of September, the Krasnodar Krai authorities adopted a unilateral decision to restore the spit, arguing that its absence was causing costly erosion to the krai's shores. Additionally, the salt water from the Black Sea was infiltrating into the Azov Sea, sharply reducing the number of valuable sturgeon, whose caviar had earlier supported the economy of the nearby communities.

Technically, building the dam was not difficult since the water was only one meter deep between the islands. In the course of a month, the builders managed to construct a dam three kilometers long and 30-50 kilometers wide.

However, the Ukrainian government protested the work, complaining that it had not been informed about the large-scale construction project near its border. These protests had no consequences. The Russian federal authorities said that the regional authorities had initiated the construction. The Krasnodar authorities did not react to the protests, pointing out that since the agreement on delimiting the Azov Sea between Russia and Ukraine had not been signed, it did not make sense for the Ukrainians to consider the construction to be near their territory because it is not clear where this territory actually began.

If Krasnodar Krai builds the dam all the way out to Tuzla island, then there will likely be a legal battle between the two countries. Ukraine might declare that its territory extends the length of the dam to the krai shore, or Russia might declare that the island, which is currently Ukrainian, should be Russian. Alternatively, Russia could declare that the island's ownership is in dispute.

On 23 October, the conflict reached an apogee when the Ukrainian parliament declared the construction an unfriendly act. The legislators threatened to hold up ratification of the creation of a unified economic space between Belarus, Kazakhstan, Russia, and Ukraine. Some deputies called for imposing emergency rule in Ukraine and mobilizing the army to defend the island. While such extreme measures were not taken, the Ukrainian military did strengthen its position around the island. Ukraine parked barges next to the island to prevent further construction and strengthened its border guard on the island. Ukrainian President Leonid Kuchma cut short a trip to Brazil and flew to the island to personally deal with the situation.

After a phone conversation between Kuchma and Putin, the Krasnodar Krai authorities ordered a halt in the construction work. Governor Aleksandr Tkachev said the order to stop the work came directly from Prime Minister Mikhail Kasyanov. However, the governor stressed that the work stoppage was only temporary to allow Russian-

Ukrainian negotiations to proceed. The workers did not fully stop their labors, using the time to further fortify the part of the dam that they had already built. The builders only have 100 meters to go in lengthening the dam to the island.

On 24 October the prime ministers of Russia and Ukraine met. They agreed to hold negotiations, which could last two-three months. The scope of the negotiations could extend to much more than just the construction of the dam. Tkachev declared that he has documents, which showed that the transfer of the island to Crimean, and therefore Ukrainian, jurisdiction was not legally sound. He said that according to documents given to him by the Russian Ministry of Foreign Affairs, the Ukrainians staked their claim to the island on a decree of the RSFSR Supreme Soviet Presidium from 1941. However, Tkachev said that the 1937 constitution then in effect required the full Supreme Soviet to adopt such a decision, not just its presidium. Chairman of the State Duma Committee on International Affairs Dmitrii Rogozin supported this claim.

Ukraine's ownership of Tuzla provides the entire basis of its claim to monopolize the Kerch Sound, which is the only channel for ships from the Black Sea to enter the Azov Sea. Because there are active shipping lines between the seas, Ukraine receives \$15 million a year just for the transit of Russian ships in the area. Since the collapse of the USSR, Russian ships have paid Kiev \$170 million to operate in the area. These figures are likely to grow since Russia is actively expanding port capacity on the Azov Sea. Additionally, there are 120 sites with likely oil and gas deposits in the Azov Sea, including 7 near Tuzla.

Disagreements over economic issues have long held up an agreement between Russia and Ukraine over the status of the Azov Sea. Both sides have proposed mutually exclusive resolutions. Ukraine wants to divide the sea in proportion to each country's land borders. Russia opposes this idea and seeks to declare the Azov an internal sea and a common economic zone for both countries. The Ukrainians do not like the Russian proposal because they would no longer receive the shipping transit fees and Russian energy companies would gain an advantageous position in developing the sea's mineral deposits. Russia refuses to accept Ukraine's proposal because its ships would continue to pay transit fees and Ukraine would gain ownership of the best fishing grounds and a large share of the gas deposits. Negotiations have proceeded fruitlessly for more than 10 years. Beyond the stated ecological reasons for building the dam, it is possible that the krai authorities decided to start construction in an effort to speed up the negotiation process and to force Ukraine to concede to some of Russia's demands. - Mikhail Kirichenko in Krasnodar

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Russian Regional Report
(Vol. 8, No. 21, 14 November 2003)

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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2003 STATE DUMA ELECTIONS

On 7 December, Russian voters will elect 450 State Duma members, 225 on party lists and 225 from single-mandate districts representing all 89 regions. This year, with support from the Carnegie Corporation of New York, the Russian Regional Report is participating in a project to track the elections in each of the single member districts. Below, we begin a cycle of stories focusing on this aspect of the elections.

ISHAEV CONTROLS KHABAROVSK DUMA ELECTIONS. This year's State Duma campaign began as it always does in Khabarovsk Krai: with a series of events designed to demonstrate the popularity of Governor Vladimir Ishaev's candidates. The governor, who is also the general secretary of the regional Khabarovsk Krai Party, this year is lending his support to the pro-Kremlin United Russia party. His name tops the far eastern section of the party's list, though he has no intention of giving up his governorship for the Duma. In third place is the governor's representative to the Federation Council, Andrei Chirkin, who is not well known in the region despite his post in the upper chamber.

On returning from a trip to Moscow, Ishaev held a 25 September press conference to announce his candidates in the krai's two single-member districts: incumbents Boris Reznik in district 57 (Khabarovsk) and Vyacheslav Shport in district 58 (Komsomolsk-na-Amure). "They have done a good job: they have access to important offices and vote correctly," he said (*Argumenty i Fakty - Dalinform*, no. 39).

The authorities are using their resources to support Reznik in Khabarovsk. In the office of social security in the Zheleznodorozhnii district of Khabarovsk, clerks asked

people coming in to pick up their children's subsidies to sign forms supporting Reznik's candidacy. When one family refused, the bureaucrat repeated her request several times, suggesting that they were under orders to gather a large number of signatures.

"Candidate" Ishaev played a big role in the 20 October celebration of the city's 65 anniversary. Reznik also was on hand and the pro-governor media printed large articles giving Reznik prominent coverage. The governor awarded Reznik as one of five winners of a new honor, the N. N. Muravev-Amurskii service award. Krai television and radio broadcast the news of the award several times in subsequent days.

On 30 October Ishaev and Reznik played a prominent role in opening a new monument to victims of political repression in the city's central cemetery. According to the governor's newspaper *Tikhookeanskaya zvezda* (30 October), which has the largest circulation in the region, the Memorial human rights organization appealed to the governor to help put up the new display and he graciously agreed to do so. Such events were particularly striking to the human rights community because earlier the governor had offered to bury for free the still living Memorial members in the cemetery, after which the organization for many years remained silent about the krai authorities' violations of human rights.

On the same day Sergei Shoigu visited Khabarovsk. Because he is number two on the United Russia party list, Shoigu is technically on vacation from his job as minister of emergency affairs. However, the regional authorities greeted the guest as if he were the minister and the press gave his trip extensive coverage.

The other candidates get no attention.

However, the authorities have not forgotten about them. The most prominent opponent to Reznik is Mikhail Vovk, a member of the "For Human Rights" movement and a member of the Yabloko party. In a difficult battle at the Yabloko regional party conference, he defeated the head of Yabloko's regional chapter V. Belyaev and was elected the Yabloko candidate in district 59. The party congress in Moscow confirmed his candidacy. However, Belyaev and his deputy A. Petrov, a member of the krai legislature famous for his bill giving the governor and members of his family a guaranteed lifetime income, began working to overturn the results of the regional party conference in the beginning of October. After the Moscow party congress, though, these efforts proved unsuccessful. It is not hard to guess who stood behind them.

In Komsomolsk-na-Amure district 58, the governor's approved candidate, incumbent Shport worked at the giant KNAAPO aircraft factory until entering the Duma in 1999. The taxes from this factory comprise 40 percent of the regional budget and there is a close relationship between the factory and the krai leadership. Shport won his first term in the Duma with strong backing from the governor. Without the governor's support, the other three candidates in the race have no chance of winning. - Aleksandr Bekhtold in Khabarovsk

YUKOS DEPUTY'S EXCLUSION HURTS MORDOVIYA'S UNITED RUSSIA PARTY. The pro-Kremlin United Russia party's decision to exclude Duma member and Yukos co-owner Vladimir Dubov from the mid-Volga section of the party's electoral list for the 7 December elections, and his subsequent flight to Israel, has put the party's Mordovia branch in a rather difficult spot.

Until recently Mordoviya's leadership described Dubov as the main lobbyist of the republic's interests in the lower house of the parliament. Dubov, who owns 4 percent of the oil giant Yukos, owes his position in the legislature to Mordoviya. In the 1999 State Duma elections, the republic's voters heavily supported Fatherland-All Russia, on whose list Dubov stood, ensuring his election, particularly since Samara voters largely supported the Union of Rightwing Forces, while Ulyanovsk backed the Communists.

Mordoviya President Nikolai Merkushkin repeatedly has said that Dubov was grateful to the republic and, thanks to Dubov's contacts, the republic received many million additional rubles in subsidies from the federal budget. Such announcements from the regional leader were a valuable resource for Dubov in his reelection efforts. After the merger of Fatherland and Unity into United Russia, Dubov easily secured a place on the new party's list.

At the beginning of the campaign, the Mordovian regional branch of the United Russia party sought to win the support of local voters by personifying the elections. President Merkushkin stands at the top of the mid-Volga list and Dubov is number four. Of course, Merkushkin has no plans to give up his governorship to enter the Duma and the candidates running in the second and third slots were likely to win seats in single-member districts, so Dubov was essentially guaranteed of winning.

With Dubov gone, party leaders have to pick a new strategy but they have yet to figure out what it will be. They have refused to comment on Dubov's departure.

The Communists have also changed their tactics. As one local Communist party leader, Ivan Dolgaev, explained "now our questions are 'What kind of party first registers its party list with the Central Electoral Committee and then changes it by dropping Vladimir Dubov?' And 'What kind of deputy is this who is now hiding in Israel?'" The Communists hope to win additional voter support by presenting these questions to the Mordoviya electorate. - Igor Telin in Saransk

CENTER-PERIPHERY RELATIONS

GOVERNOR RECOMMENDS NEW FEDERAL INSPECTOR IN KURSK. On 27 October, the federal authorities named as their representative in Kursk a new chief federal inspector hand-picked for the job by the region's Communist governor Aleksandr Mikhailov. In theory, the chief federal inspector is supposed to be independent of the regional authorities so that he can give the federal government an objective assessment of what is going on in the region. In Kursk, however, this does not seem to be the case.

The new chief federal inspector is Aleksandr Kichigin, who previously was the mayor of Zheleznogorsk and a member of the Kursk Oblast Duma. He replaces Viktor Surzhikov, who was elected mayor of Kursk at the end of September. In contrast to the former Kursk mayor, Kichigin has never come into conflict with Governor Mikhailov, though he did have difficult relations with former Governor Aleksandr Rutskoi. In October 2000 Kichigin unexpectedly tendered his resignation in a conflict with the

Mikhailovskii Mining and Processing Combine about tax payments to the city budget. Three days later, when the city council refused to accept his resignation, Kichigin withdrew it. After that, he did not engage in any more extravagant measures. During the summer, there were many press reports that Governor Mikhailov was pressing Kichigin to run for the mayor's office in Kursk (*Region-46*, 20 August 2003). Kichigin denied these reports, but the governor publicly described him as a "strong manager and a leader with a constructive approach."

Now political observers speculate that Surzhikov will use his post as Kursk mayor to launch a gubernatorial campaign in two years. Surzhikov lost the governor's race to Mikhailov in 2000 after the court removed Rutskoi from the race (see Russian Regional Report, 23 October 2000). Surzhikov is the former head of the Federal Security Service in the region.

Beyond the governor's desires, another reason for appointing Kichigin as chief federal inspector is his close ties to the giant holding company Metalloinvest, which owns the Mikhailovskii plant, the largest enterprise in Zheleznogorsk and the region. Its gradual transformation into a metallurgical production plant, in which Metalloinvest is planning to invest \$500,000 by 2007, requires the support of both the regional and federal authorities.

In presenting Kichigin to the heads of the federal agencies working in Kursk, First Deputy Presidential Envoy to the Central Federal Okrug Aleksandr Gromov expressed the hope that in the future there would be no conflict between the local and regional authorities and that Kursk would be able to establish close and stable contacts with the federal government. In this way the federal authorities seem to be seeking a cooperative, rather than confrontational, relationship with the regional elite. - Sergei Sarychev in Kursk

TRANSPORTATION LINKS

ASTRAKHAN MAKES PROGRESS ON NORTH-SOUTH CORRIDOR. During the last several months, Astrakhan Oblast has made significant progress in developing the North-South transportation corridor. These accomplishments ensure that the transportation link will be put in place.

The corridor is part of Russia's overall plan to reform its transportation system by 2010. The corridor will link India and Scandinavia through the Persian Gulf, Iran, the Caspian Sea, the Volga River and St. Petersburg, along a route running 6,500 km. The new north-south link will be a new sea route for freight that serves as an alternative to the Suez Canal. It should lower transportation costs by 15-20 percent and reduce delivery times by 15-20 days. The new line should generate \$5-6 billion a year (*Nezavisimaya gazeta*, 5 August 2003).

The corridor has major implications for the Caspian region. Iran, India, western China, Uzbekistan, Turkmenistan, Kazakhstan and other Asian countries will be able to use it as a gateway to European markets. The region is also an important access way for Russia to reach Asian markets with 1.5 billion people. Astrakhan Oblast is Russia's main gateway in the south and has the strategic position of sitting on the shortest, most profitable Eurasian route.

Many things are happening at once. Astrakhan is seeking to reduce the number of administrative barriers that shippers will face at its port. Russia is working with Iran to set up a joint venture to exploit the new trade route. In September construction was completed on the first part of the Astrakhan grain terminal, with backing from the Moscow-based Vagna-Shipping and the Kazakhstani firm Zernovaya industriya. The terminal makes it possible to ship 15,000-20,000 tons of grain to Iran a month. 1 October marked major progress in the development of the nearby Ola port. That day saw the opening of a container terminal, which will be a major part of the transportation link, the beginning of construction for a 54 km railroad line that will connect the port to Russia's rail system, and the opening of a new oil terminal in the village of Ilinka. The terminal will transfer Caspian oil from tankers into railroad cars.

All of this activity suggests that Russia is working hard to realize its Caspian ambitions. However, the north-south corridor has a competitor in the TRASEKA corridor, which will link Central Asia with Europe through the South Caucasus, bypassing Russia and Belarus. Russia's best method of defeating this alternative is get the north-south corridor working as soon as possible.

Astrakhan Governor Anatolii Gyzhvin is largely responsible for all the progress on moving the transportation link forward. He initiated the idea ten years ago and now has won federal support for it.

However, the federal government has not made a decision on whether it will finance continued construction of the Ola port in 2004. Accordingly, the Russian government is continuing to stress the importance of finding private financing. Astrakhan also faces competition within Russia because the Makhachkala port in Dagestan is working on increasing its oil and freight capabilities. According to Transportation Minister Sergei Frank though, "there is work for everyone." - Arbakhan Magomedov in Ulyanovsk

CONTRACT KILLINGS

ASSASSINATIONS OF ULYANOVSK BUSINESSMEN ON THE RISE. Since July 2002, Ulyanovsk has witnessed a dramatic increase in the number of businessmen assassinated. The first to die that month was Evroproekt Television and Radio Company General Director Nikolai Razmolodin, who also owned a chain of stores and restaurants. In August of that year, assassins hit Vladimir Burakov, the commercial director and co-founder of Simbirsk-Auto and Vladimir Zheltov, the deputy general director of Ulyanovskvodokanal. In February 2003, the killers murdered Astera casino co-owner Ildus Yusupov. Over the summer, they targeted Aviastartrans General Director Nikolai Tikhonov. The assassins narrowly missed AMS-group president Sergei Polbin on 24 September. Finally on 30 October, a bullet felled Viktor Rokhlin, head of security for the Reka construction firm and the former head of criminal investigations in one of Ulyanovsk's raions. Not one of the cases has been solved. Only Polbin employed bodyguards since this was the second attack on his life.

According to Governor Vladimir Shamanov, the law enforcement agencies have no explanation for these alarming trends and they are powerless to do anything about them. Recently many highly qualified police officers have been leaving the oblast's police

force -- some are retiring and others are seeking employment in private firms. Young people are replacing them who will need a long time to learn the skills their jobs require.

The series of assassinations in the last 18 months are connected to a rise in the city's economy. Other regions have already lived through this phase, but it is only now coming to Ulyanovsk.

With the police in crisis, businessmen have to set up their own security services. But these new agencies will not be effective unless they are headed by a former employee of the Federal Security Service (FSB) or the Ministry of Internal Affairs (MVD), according to Yevgenii Lytyakov, who worked 20 years in the KGB providing security to the top party leadership during the Soviet era.

Many heads of reasonably big businesses have bodyguards. On one hand, it is prestigious as a sign of social status. On the other, conditions in today's Russia mean that such precautions are necessary.

Unfortunately, in most cases there is little that a security service can do to defend its client against sniper bullets. The attack on Polbin reached a new level of professionalism for Ulyanovsk, according to Lytyakov. This case was unprecedented in Ulyanovsk because the purpose of the murder was a redistribution of property. While non-business motives figure in the case of Evroproekt General Director Razmolodin, explanations for the attack on Polbin center on his business activities. In Polbin's case, the sniper shot from a distance of 700-800 meters. He took the gun with him, suggesting that the attack was well planned. Polbin was not involved in politics and did not seek publicity. His business is growing dynamically, including the "Elegant" clothing factory, Proviant chain of stores, a Toyota auto dealership, and private tennis courts. He had invested his money in long-term business ventures, suggesting that the assassin was attacking his business. The main conclusion from this case is that today even honest businessmen cannot feel safe.

New legislation, the new economy, and new relations to property are driving current events. The old law enforcement system has stopped working. The federal government is transferring an increasing number of its traditional and natural security functions to the regions and municipalities. Private security firms are filling the niche of providing security in response to the appearance of new property owners. According to various estimates, between 300,000 and 800,000 people are now employed by private security agencies in Russia.

"Our security firms today don't provide security, rather they merely give the appearance that they are protecting people," Lytyakov said. "I would only allow private security firms to operate if their leadership included a professional who had once worked in the FSB or MVD." The security agencies will continue to operate because they satisfy most clients and generally ensure their physical safety. Polbin's security team saved his life by getting him to the hospital quickly.

However, personal safety is only one part of overall security. A "mole" working inside an active business could do more damage than a bomb. Therefore informational and economic forms of security are just as important as physical security and the private security agencies are not dealing effectively with these problems, according to our source. He said that there are many professionals trained to deal with a variety of threats who are not currently employed. - Sergei Gogin in Ulyanovsk

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Russian Regional Report
(Vol. 8, No. 22, 28 November 2003)

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STATE DUMA 2003

In the following reports, the Russian Regional Report continues its coverage of the 2003 State Duma elections in the single-member districts.

SMOLENSK: MEDIA HAS NO INFORMATION ABOUT ELECTIONS. I

examined all the leading Smolensk newspapers from 28 October to 18 November, including *Rabochii put*, *Smolenskie novosti*, *AiF-Smolensk*, *KP-Smolensk*, and *Smolesnie gubernskie vedomosti*, and watched the TV-Smolensk broadcasts, and they had no information about the State Duma elections in districts 168 and 169. There is no official information about any changes in the official candidate lists. There is no information about any scandals in the race. It seems that there is a "provincial information vacuum."

On 14 July Russia brought into effect a new law on voter rights that forbid the media from publishing any article that could be seen as favoring or harming a candidate. On 30 October the Constitutional Court struck down the most repressive element of that law, a vaguely worded clause that banned "other activities" that could be viewed as agitation, but apparently this move was too little, too late. Many media outlets are still afraid to publish material about the election. - Arsentii Ledovskii in Smolensk

KRASNODAR (District 45): GOVERNOR'S BROTHER SET TO WIN. In

Krasnodar District 45, Governor Aleksandr Tkachev's brother Aleksei Tkachev is almost certain to win the elections. The only question is what percent of the vote the other candidates will take from him. The governor's administration will use all of its resources to support the governor's brother.

Aleksei Tkachev is a member of the Central Council of the Agrarian Party of Russia and the general director of the Agrokompleks company. He is currently a member of the regional legislature. His ratings range between 40-80 percent in the various public opinion polls conducted in the region. The reports in the press about him are mixed, though many of the negative articles are obviously paid opinion pieces sponsored by Tkachev's opponents.

Tkachev will benefit from a number of circumstances beyond the fact that his brother is governor. First, Governor Tkachev was elected in 2000 with 80 percent of the vote and remains very popular, with his rating never dipping below 70 percent. Second, the firm Agrokompleks has similarly high ratings among the rural residents of the district. Of all the candidates, only Tkachev can push through an agricultural development program of maximum benefit to the area.

The main event so far in the campaign was incumbent Nikolai Denisov's (KPRF) announcement that he would not seek another term in office. Although he was the first to launch his campaign, he withdrew from the race on 30 October. Before joining the Duma, Denisov had served as chief ideologist for former Governor Nikolai Kondratenko's krai-based Otechestvo movement, which was extremely popular in the krai's rural areas and provided the organizational basis for Denisov's victory. Regional observers unanimously agree that Denisov withdrew after making an agreement with the regional administration. Most likely, he is now working in candidate Tkachev's "shadow cabinet," using his Otechestvo resources to support the campaign.

Among the candidates with no chance of winning, Zinaida Rakhno, the Yabloko candidate, is the most notable. The party's electorate includes an insignificant group of the rural intelligentsia and a relatively high level of support in the two industrial cities of Tikhoretsk and Kropotkin. Rakhno is a resident of the district (unlike the other serious competitor Gennadii Deminenko) and Yabloko is reasonably popular in Kropotkin. However, the Yabloko party tie is not as strong as it used to be since, the head of Yabloko's Kropotkin branch, Murat Akhedzhak, is now deputy governor and therefore must support the governor's candidate rather than Rakhno. Outside the cities, the Communists are dominant. In the best of circumstances, Rakhno can win 10 percent of the vote.

Muscovite Deminenko, nominated by the Party of Life, is strongest in the district's two cities. His only trump is his potential to bring investment capital from Moscow to the region. But this card has little value since the candidate, a member of the Moscow city government, has no direct connections to big business. Even if he could supply the money, it probably would not help since many residents fear the invasion of such capital in ways that they cannot control. Denisov made the threat of aggressive Moscow financiers flowing into the region the centerpiece of his 1999 campaign. In any case, the region began aggressively seeking investment in 2001-2002 and now is in third place among all Russian regions, reducing the need to work with outsiders by electing them to high office. - Sergei Danilchenko in Krasnodar

KRASNODAR (District 42): GOVERNOR SEEKS TO REMOVE INCUMBENT. In District 42, as in District 45, Governor Aleksandr Tkachev is trying to replace the incumbent Duma member, who has close ties to former governor, Nikolai Kondratenko, with his own ally. Thus, the main battle is between incumbent Aleksandr Burulko and

Deputy Governor for social issues Galina Doroshenko. So far it is difficult to say who will win and everything depends on how well the candidates campaign.

Burulko has the support of the KPRF and has strong ties to the district through his earlier career there and his efforts to boost its work in the Duma. He is extremely popular in the rural areas and commands the public and less public support of many big businessmen in the region. In the past, he actively supported Kondratenko's Otechestvo movement. He can count on 20-25 percent of the vote and significantly more if Kondratenko actively backs him.

Doroshenko has the full backing of Governor Tkachev. Accordingly, her campaign has the support of all the social organizations that the administration can manipulate -- the region's education, healthcare, social provision and cultural institutions, as well as the veterans', womens' and similar groups.

There are rumors that Burulko will withdraw his candidacy in favor of Doroshenko, but this information remain rumors. Currently Burulko's position seems more secure since Doroshenko is not closely connected to the region and only began to campaign there actively in August.

ROSTOV: ADMINISTRATION STUMBLES IN DIFFICULT DISTRICT. In Rostov's State Duma district 145, Governor Vladimir Chub's administration favors Zoya Stepanova's candidacy. This district is traditionally the most problematic and scandal-plagued in the oblast and this year is no exception (see Russian Regional Report, 28 August 2003).

The administration is worried that three candidates are taking votes from Stepanova: Liberal Democratic Party of Russia (LDPR) nominee Tatyana Filatova, independent Vladimir Shcherbakov, and Communist Nikolai Kolomeitsev. Stepanova's campaign tried to have the electoral commission in the district revoke Filatova's registration, pointing to evidence it had that the Federal Security Service was investigating her for illegally selling property belonging to the Defense Ministry's Elektroapparat enterprise. The campaign presented the charges as if the court had already ruled against Filatova. The commission, which has close links to Stepanova's campaign, tried to overturn Filatova's registration, but could not do so because she is also registered on the LDPR's party list. It would not make sense for her to be denied registration in the district when she was registered on a party list. Stepanova is waging an active campaign and winning would give her immunity from any potential prosecution.

Shcherbakov's campaign was initially taking votes away from the Communist Party of the Russian Federation (KPRF) candidate Kolomeitsev, but the communist image-makers redefined Shcherbakov in the voters' eyes, identifying him with the Union of Rightwing Forces (SPS) and now his campaign is siphoning off democratic voters who would have otherwise voted for Stepanova if he had not been in the race.

The administration has put up candidates to take away votes from Stepanova's main opponents. Viktor Alekhin, a communist who is not a member of the Communist Party of the Russian Federation, is working to discredit Kolomeitsev, the Communist Party's candidate. However, this is the fourth campaign in which Alekhin has played this role and he is simply annoying the voters. Because of his reputation as nothing more than a gadfly, his actions discredit the governor's administration and the candidate it is backing.

Col. Sergei Serpeninov, an instructor at the oblast's Strategic Rocket Forces Institute, was supposed to work against Shcherbakov. However, he came into conflict with the district's electoral commission when it refused to include information about his scholarly publications in its informational posters. This conflict resulted in his failure to register. This incident suggests that Stepanova's staff is doing a poor job because the main consequence of the events surrounding Serpeninov was to offend his colleagues at the institute, none of whom will now vote for Stepanova.

Stepanova's poor campaign has probably deprived her of any chance of the winning the elections honestly. However, for the KPRF-backed Kolomeitsev to win, he must insure that there is no vote falsification.

Stepanova's backers may be exerting powerful pressure on the members of the district and precinct electoral commission. The voting, and falsification if there is any, will take place at the precinct level. Many members of the electoral commissions at the district and precinct levels work for the government and their jobs depend on their ability to pass recertification exams. The exams have been postponed until mid-December, when the election results will be in. Thus, if the electoral commission members/civil servants allow the wrong candidate to win, they face the danger of losing their job as a result of the exam. Since the exams are not formally connected to the elections, it would be hard for outside observers to prove that the electoral commission members were actually pressured. Likewise, the various private businesses whose employees are working on the electoral commissions face the prospect of difficulties with the administration if the correct candidate does not win. - Aleksandr Krasnov in Rostov-na-Donu

MEDIA MATTERS

MORDOVIYA PRESIDENT SUES PAPER, OBSERVER. Mordoviya President Nikolai Merkuskin has filed a libel suit to protect his reputation in response to an interview entitled "Merkushkin Should Resign" published in the newspaper *Mordoviya Segonya* with Pavel Gruznov, a well known figure in the republic who is the former director of the Research Institute on Language, Literature, History and Economy.

In his complaint, the president cited several phrases from the interview, which he claimed hurt his reputation. Among them were "there is no freedom of speech in Mordoviya," "the main task of our newspapers is to spread propaganda about Merkuskin and his activities," "it is well known that the president's family (or call it a clan - that doesn't change anything) has helped him get rich for a long time, while the republic becomes poor," "his family long ago privatized all the profitable industries and enterprises," among others.

A significant part of the interview described Merkuskin's relationship with the leadership of the Yukos company, material that Merkuskin also claimed was libelous. Mordoviya is an "off-shore" zone for Yukos, which in 2003 alone provided the corporation with tax benefits worth 21 billion rubles. Two days before his arrest, former Yukos head Mikhail Khodorkovskii visited the region, participating in ceremonies that were tantamount to a state visit.

Merkushkin wants the court to require the newspaper to publish a retraction noting that the information included in the interview was fabricated by Gruznov. He also wants 1 million rubles for the "moral damage" the interview did him.

This case is the second that Merkushkin has filed this year against the press. Earlier he protested an article in the local newspaper of the Communist Party of the Russian Federation, *Nasha Pravda*, which labeled him an "oligarch."

Local observers think that Merkushkin is cracking down on the media in response to criticism of his close ties to Yukos. They suggest that he now feels vulnerable himself because of this alliance. Merkushin is running for the State Duma on the United Russia party list, and the party's critics are using his Yukos connection to score political points. - Igor Telin in Saransk

COMBINING REGIONS

PUTIN VISITS PERM TO BACK REGIONAL MERGER. At the end of October, President Putin visited Perm Oblast, backing Perm's efforts to incorporate its neighbor, the Komi-Permyak Autonomous Okrug and providing opportunities to benefit local firms close to the governor.

Putin's first stop was Kudymkar, the autonomous okrug's capital. On the way, Putin viewed the construction of a new road and bridge, which will serve as part of the region's new infrastructure in developing the economy of the okrug, where the standard of living is much lower than in the oblast. This project had been put on hold until this year, when the region was able to secure federal financing for its completion. Most observers believe that the Kosmos firm, which has particularly close ties to the governor, will win most of the contracts in building the road. It has already won the contract for building the runway at the Perm airport. These sources claim that for every ruble spent on the project, Kosmos devotes 35 kopecks to the actual work, while the other 65 are distributed among the firm's managers and the top members of the oblast administration.

The other major project linking Perm Oblast and the autonomous okrug will be a natural gas pipeline, which is also viewed as a source of income for dishonest okrug and federal bureaucrats. The pipeline is being built for the second time. With the tacit agreement of the local administration, the previous uncompleted pipeline was dismantled and sold in Ukraine. This time the Kremlin will oversee the project.

In Kudymkar, Putin met with Deputy Governor Nikolai Yashin. If he pulls off the merger of the two regions, Yashin will secure a lucrative retirement. This process has already begun since shortly following Putin's visit, Yashin left the administration to head the Permskii Krai Foundation. Assuming the 7 December referendum on the merger is approved as planned, Perm Governor Yurii Trutnev will be able to run for election in the new region for an additional two terms, securing the stability of the regional elite for 12 years. - Yevgenii Snegirev in Perm

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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

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

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Russian Regional Report
(Vol. 8, No. 23, 3 December 2003)

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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STATE DUMA ELECTIONS 2003

In this issue we continue reporting on the State Duma electoral campaigns taking place in Russia's 225 single-member districts. These reports are part of a larger project on the Russian elections funded by the Carnegie Corporation of New York.

NIZHNIi NOVGOROD: LEBEDEV LEADS BY ATTACKING OLIGARCHS. In District 117, the main battle is between former Nizhnii Novgorod Mayor Yurii Lebedev, running as an independent, and Yurii Sentyurin, competing on the Rodina bloc. Lebedev seems set to win the race. He is in opposition to the current mayor, governor, and federal okrug authorities. Lebedev has not been in the news since leaving the mayor's office several years ago. Now he is presenting himself as an advocate of human rights. No major figures have supported his campaign and he has little access to the regional media, besides the Volga television station.

Lebedev has focused his campaign on the possibility that oligarch Roman Abramovich has sold, or is selling, his 37.5 percent stake in the local Gorkii Automobile Factory. Such speculation comes in the wake of news that Abramovich purchased the Chelsea soccer club and Yukos leader Mikhail Khodorkovsky's arrest. Many speculate that Abramovich will be the next to be arrested and he is selling off his Russian assets in order to move his money abroad. The factory's management denies that such a sale has taken place.

Lebedev is criticizing Abramovich and Oleg Deripaska, who also acquired a 37.5 percent stake in 2000, for the way they have run the factory since buying it. In particular, the new owners have cut more than 50 percent of the jobs and either closed or forced the city to take over many of the social functions the factory once financed. Lebedev argues that "the state should purchase shares in the automotive giant and intervene in its management." The factory has responded that Lebedev's idea of nationalizing property demonstrates that he is unfit for any type of leadership position. The factory subsequently removed Lebedev from its board of directors.

In the 2002 Nizhnii Novgorod mayoral elections, Lebedev also used the theme of fighting the oligarchs. In that case, his target was the regional branch of the electricity monopoly, Nizhnovenergo.

The Union of Rightwing Forces had initially considered backing Lebedev, but party leader Boris Nemtsov withdrew his support, pointing out that he did not agree with the idea of nationalizing the factory.

Sentyurin is currently first deputy governor and has the full support of the governor. The main focus of his campaign is reducing the amount of money the oblast has to transfer to the federal level, greatly increasing the amount that would stay in the region, and introducing taxes on the exploitation of natural resources. He claims that he is running for the Duma because he will be able to do more for the region at the federal level than on the governor's staff. Sentyurin has the backing of the automotive factory's leadership and Deripaska. He also has the full support of the Lenin, Avtozavod, and Sovetskii raion chiefs, a powerful resource in mobilizing voters.

The political party situation in the region is extremely confused. Governor Gennadii Khodyrev is running on the pro-Kremlin United Russia list. However, his deputy Sentyurin and his wife, who is seeking a Duma seat in District 119, are running on the Rodina list, which has positioned itself in the opposition, though it would be hard to call bloc leader Dmitrii Rogozin an opponent of President Putin. Thus, the bureaucrats supposedly backing United Russia are also sponsoring candidates from Rodina. Critics have charged that officials are abusing their positions. City Duma Deputy Igor Bogdanov, who was denied registration in this race, has complained that teachers are forced to meet with Sentyurin during working hours, while the governor's administration looks the other way. - Rustam Bikhmetov in Nizhnii Novgorod

NIZHNII NOVGOROD: AGAINST ALL LEADING GOVERNOR'S WIFE. In Nizhnii Novgorod, Governor Khodyrev's wife Gulya is running for the State Duma in District 119. However, she has extremely high negatives, particularly in the city of Dzerzhinsk, where a 22-24 November poll of 600 showed that 33 percent of the voters were planning to vote "against all." The nearest competitor Vladimir Stalmakhov, a vice president of the Moscow-based Cosmos company, had 20 percent, while Khodyreva scored 12 percent. In this case, it seems that the governor's popularity does not extend to the members of his family.

Khodyreva began to work as an assistant to then State Duma member Genadii Khodyrev in 2000 and they married in 2001. When Khodyrev was elected governor, his wife joined his administration to head the department dealing with public outreach. Just before the campaign started, Gulya changed her last name from Teplyakova to

Khodyreva, emphasizing that she hoped to use the resources of the governor's office to win election. - Marina Makarycheva in Nizhnii Novgorod

KABARDINO-BALKARIA: GOVERNOR ANOINTS CANDIDATE. Adalbi Shkhagoshev, running as an independent, is set to win the election in District 14 with the strong support of Kabardino-Balkaria President Valerii Kokov. Locals generally refer to Adalbi as the "adopted son" of the presidential family. After then law enforcement officer Shkhagoshev was wounded in 1992 during the conflict between the authorities and the opposition, the president personally oversaw his treatment and recovery. Since then he has become one of the most trusted individuals for the ruling elite. He has the backing of the Urvanskii clan, the most powerful administrative and business group in the republic. Kokov launched his career in the Urvanskii region and his wife, Violetta, as well as other high-ranking officials come from this area.

Since the authorities have no real opposition in the region, the elections follow a well-scripted course, with no room for surprises, even though there are six candidates. The tasks of each candidate are well known to the players. Shkhagoshev, the expected winner, is an ethnic Kabardin. Three of his opponents are Balkars, providing a response to complaints of this group about the situation in the republic. The politicians and businessmen, who are closely united in the republic, determine the rules of the game and its ultimate outcome. - Svetlana Akkieva in Nalchik

MARI EL: GROWING OPPOSITION TO UNITED RUSSIA OUTSIDER. The front-runner in Marii El's District 19 is Muscovite Valerii Komissarov, well known as the host of the television show "My Family." He is running with the support of United Russia in the district and is third on the Volga section of the party list. He also has the full backing of the republican leadership. Nevertheless, he is only one of nine candidates in an active field.

Komissarov began his campaign three months before the official campaign period started by visiting the republic with his television show. His main slogan is "Marii El is My Family." His campaign has enormous financial support and has hired the services of Moscow PR specialist Andrei Barskii. Despite legal sanctions against such things, the heads of republic's raions are all working in his support. Additionally, the republican administration is exerting direct pressure through the republican ministries and agencies. Local television and radio support the candidate by describing his various activities in the State Duma.

Despite his current lead, however, there is a growing backlash against Komissarov, with many voters grumbling that he is an "itinerant showman" and that "we need a local." Nevertheless, Komissarov has prominent backers. The pop group Na-Na came to the republic to back him as did celebrity Lyudmila Senchina. Emergencies Minister Sergei Shoigu also lauded Komissarov in a televised broadcast, something he has done in numerous regions.

The main opposition to Komissarov is Communist Duma Member Ivan Kazankov, running with the financial support of the Communist Party of the Russian Federation. Kazankov is the former director of the Svenigovskii State Farm, where his son is now in charge. His campaign is based on the claim that he turned the farm into the best enterprise in the republic. Kazankov organizes trips to the farm for voters and offers

them free food tastings. The republican electoral commission sought to remove him from the race, asserting that he was violating the law by trying to buy votes, but the Marii El Supreme Court refused to take this action.

Since Kazankov is running second, the authorities use every opportunity to criticize him. In the second part of November, a train struck the bus used to bring voters to the farm, resulting in 4 dead and 12 injured. The pro-administration newspaper Mariiskaya Pravda blamed the candidate for this tragedy, alleged that he forced the driver to work so much that he fell asleep at the wheel. The newspapers have published collages that include pictures of the accident, bodies of the dead, and Kazankov with his farm's sausages.

Former Marii El President Vyacheslav Kislitsyn, in opposition to current President Leonid Markelov, is also running, financing his campaign from his own pocket. His main slogan is "This is our land. We live and work here." He has a chance of winning since he is well known and everyone sees that the republic's agricultural sector did much better under him than under the current leader.

Five of the candidates, including Kazankov, have agreed not to work against each other and are focusing their attacks on Komissarov. However, many people may simply vote "against all" since they do not see a worthy candidate on the list. If they become sick of Komissarov and the authorities completely destroy Kazankov's reputation, Kislitsyn or "against all" could win. - Irina Poduzova in Marii El

MORDOVIA: INCUMBENT SET TO WIN DESPITE YUKOS SCANDAL. Despite the scandals surrounding the Mordovian leadership and its role in letting the republic serve as a tax haven for Yukos, the incumbent State Duma member, Viktor Grishin, is set to win another term. He is running on the United Russia ticket and has not been tarred by the scandals. - Vasilii Guslyannikov in Saransk

PRIMORSKII KRAI: SAME OLD TRICKS, BUT TONING DOWN SCANDALS.

In the three districts of Primorskii Krai, the authorities and candidates are still using various forms of dirty tricks, but are trying to keep down the level of scandal in the campaign in comparison to previous years. All sides fear that extensive scandals could turn off voters and reduce participation levels below the required 25 percent. The main theme of the campaign is that Governor Sergei Darkin's administration is running aggressive contenders against the old favorites in each of the districts. The old favorites, on the other hand, seem to be trying to minimize their visibility.

In District 52, the clear leader is incumbent Viktor Cherepkov, the former mayor of Vladivostok. His most serious opponent is Pavel Patsvald, the head of the far eastern branch of the Novolipetsk Metallurgical Combine. Patsvald is running on the United Russia party list and has the backing of Darkin's administration and the presidential administration. Emergencies Minister Sergei Shoigu came to the region to back Patsvald and roadside posters commemorate their handshake.

The krai electoral commission sought to disqualify Cherepkov from the race, but the Russian Supreme Court ultimately rejected this decision and the Central Electoral Commission registered him. According to Cherepkov's supporters, the presidential administration sent one of the employees from its analytical department especially to fight him. In these conditions, Cherepkov has decided to keep a low profile, denying his

opponents the opportunity of finding an electoral violation, which they could use against him. In this campaign of contrasts, voters can see Patsvald almost everywhere, while Cherepkov is just about invisible.

The situation is similar in District 53, though not quite as extreme. Here the leader is incumbent Svetlana Goryacheva, excluded from the Communist Party of the Russian Federation, and Khasan Raion Mayor Viktor Krivulin, known for his close ties to Governor Darkin. Krivulin's campaign is very active and Goryacheva's is barely visible.

In District 51, the main battle is between incumbent Communist Vladimir Grishukov and United Russia candidate Vasilii Usoltsev, who has the active support of the governor. Grishukov is not campaigning, hoping that his region will stay in "red belt." Usoltsev, on the other hand, is actively campaigning and meeting with voters. His main themes are that he is well acquainted with the life of the remote northern part of krai where this district is located and that he can use his connections to the pro-Kremlin party of power to guarantee local interests.

In the krai, United Russia did the best job picking viable candidates and actively backs them with extensive resources. The other leading candidates are known largely for their personal accomplishments rather than membership in a particular party. None of the existing parties, including the Communist Party of the Russian Federation, is providing real competition to United Russia.

However, it is too soon to declare a victory for United Russia. Everything depends on turnout. The higher the turnout, the better United Russia's chances for success. - Oleg Zhunusov in Vladivostok

KURSK: RUTSKOI OUT OF RACE. "Oops, I did it again!" former Kursk Governor Aleksandr Rutskoi might be saying, were he a fan of Britney Spears. On 29 November, the Russian Supreme Court revoked his registration in Duma District 97. In doing so, the court approved the complaint of Rutskoi's chief rival in the race, Kursk Communist Party leader Nikolai Ivanov, who now seems set to win.

In the region's 2000 gubernatorial elections, the electoral commission disqualified Rutskoi on the day before the elections took place. The reason then was that Rutskoi did not provide accurate information about the size of his living space to the electoral commission.

This time, the court removed Rutskoi from the race because of inconsistencies in information he provided about his place of work. Rutskoi filed two documents, one saying that he is a deputy rector of the Kursk branch of the Moscow State Social University. The other said that he works at the university without receiving a salary. When Ivanov asked the university if Rutskoi taught classes there, the official response was that he did not. Accordingly, Ivanov sought Rutskoi's removal from the race on the grounds that he had exaggerated his position.

The Kursk Oblast court agreed that Rutskoi had misrepresented his current employment but determined that removing him from the race was too harsh a punishment. However, with the support of the Kursk procurator, Ivanov appealed to the Russian Supreme Court, which ruled against Rutskoi. Ivanov, whom Rutskoi's campaign described as "another of Putin's pocket Communists," now faces no major challengers. - Sergei Sarychev in Kursk

KURSK: ANTI-CORRUPTION CAMPAIGN HURTS POLICE CHIEF. In Kursk's District 98, there is a close race between United Russia's Aleksei Volkov, the Communist Party's Aleksandr Potapenko, and front-running incumbent deputy Aleksandr Chetverikov, an independent. So far the most important event in the race was the publication of an article by Anna Politkovskaya entitled "'Peace' after the 'elections'" (*Novaya gazeta*, 6 November) about how Kursk special police (OMON) working in Chechnya rob the population in order to give bribes to their leadership. Volkov's opponents have used the article extensively against him and it has lowered his rating.

Volkov's main campaign slogan so far has been his promise that if he were elected to the parliament, he would adopt a law aimed at reducing crime and corruption. Potapenko, who is running with the support of the region's Communist governor, is stressing the need to replace the country's current leadership, asserting that "By replacing the authorities, we will save Russia!" Chetverikov, in contrast, stresses his incumbent status, pointing out that "I know how the state system is built and how to work it to improve the life of our people." His platform consists largely of aiding local agriculture and industry with support from the federal budget. - Sergei Sarychev in Kursk

TYUMEN OBLAST: TWO DISQUALIFICATIONS BOOST AGAINST ALL. The main storyline in Tyumen's District 179 is the removal of the two main opponents to People's Party leader Gennadii Raikov and the resulting possible victory of "against all." The district electoral commission refused to register Vadim Bondar (Union of Rightwing Forces) and Aleksandr Cherepanov (Russian Communist Workers' Party) because their deputies at their places of work signed their financial reports while the candidates themselves were out of town. The commission charged that this was an abuse of the candidates' office resources, but the candidates claim that the deputies signed the documents after working hours.

Since their disqualification, Bondar and Cherepanov have united their rightwing and leftwing backers in an effort to disrupt the election by encouraging voters to reject all candidates. The electoral commission's decision not to register key candidates in the mayoral and city Duma elections for formal reasons increases the chances that the "against all" coalition will succeed.

Meanwhile, Raikov has the strong support of the governor's administration, which finances the majority of the local media. There is little information about the campaign and what there is largely focuses on the registration denial to the candidates. - Yelena Arbatskaya in Tyumen

ST. PETERSBURG: YUKOS ACCUSER V. YABLOKO STALWART. The key question in Petersburg District 206 is whether incumbent Yurii Rybakov, an independent with Yabloko's backing, will be able to compete in the race. The district electoral commission initially disqualified him because his report about his activity in the Duma had not been paid for from his election fund. However, on 5 November, the Central Electoral Commission reinstated his candidacy. Subsequently, however, the district electoral commission said that it would disqualify him anyway.

Adding to the intrigue in the race is the participation of another State Duma member, Vladimir Yudin, an independent who had been elected on the Fatherland-All Russia list and then joined the Russian Regions faction. He gained wide notoriety for

filing the original complaints against Yukos with the general procurator leading to the current crackdown on the company. His main campaign theme is the "battle with the oligarchs" and he has plastered the district with banners declaring "Yudin told the truth."

GUBERNATORIAL ELECTIONS

TVER RACE HEATS UP. There are three clear leaders among the 12 candidates in the Tver gubernatorial elections set for 7 December: incumbent Governor Vladimir Platov, who has been indicted for abuse of office by the general procurator, United Russia's Dmirii Zelenin, the deputy head of the Russian state sports committee, and Communist State Duma member Tatyana Astrakhankina.

Among the three leaders, only Platov is not spending large sums on expensive campaign literature. Zelenin, who is also the head of the Russian Association of Managers, has the most impressive campaign, employing uniformed young people to hand out campaign literature on the street.

Among the candidates who have little chance of winning are Chief Federal Inspector in Tver Oblast Yurii Tsebegranov.

According to the polls, Platov and Zelenin are both drawing about 20 percent of the vote and most like with both compete in the runoff, assuming that the procurator does not remove Platov from the race. - Boris Gubman in Tver

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Russian Regional Report
(Vol. 8, No. 24, 10 December 2003)

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STATE DUMA ELECTIONS 2003

DISTRICT ELECTIONS: GOVERNORS' MACHINES DOMINATE VOTE. The main result of the Russian State Duma elections is likely to be more corruption.

Russia employs two kinds of voting systems to elect the 450 members of its State Duma and each of these systems produced different results. In the party list voting, the pro-Putin United Russia was the clear winner, the nationalist parties made a strong showing, and the Communists and liberals were the main losers. Putin's personal popularity and the failings of the long-entrenched parties played the main role. In the single-member districts, early preliminary results show that United Russia was also a strong winner. But the main story in the districts was not ideology and Putin's popularity -- rather it was the method employed to secure this victory.

To assure that United Russia candidates won as many seats as possible in the country's 225 single-member districts, the party formed a close alliance with Russia's most powerful governors. Nearly 30 governors ran on the party list and these officials used their resources to ensure that the party's candidate won.

In fact, in almost all regions, the governors were the dominant players, using their resources to make sure that the voters approved their choice to represent them in the State Duma. The governors failed to have a decisive voice only in regions where they are weak or were overshadowed by national politicians.

United Russia's alliance with the governors raises questions about the nature of the new legislators that will soon take office. Will their loyalty be primarily to the

Kremlin or will it be to the governors in their home districts? How will they make decisions when the interests of the center and the regions come into conflict? Many of these deputies also have strong ties to big business. What role will these links play?

Putin's strategy since taking office has been fairly consistent: suppress all forms of potential opposition for the purpose of increasing central power. He has systematically cracked down on the media and civil society groups that pursue goals different from those of the Kremlin. Although generally supporting market reforms, Putin has not laid out a clear agenda for how he will use the power he has amassed.

While Putin's focus on consolidating power remains unwavering, the target of his attacks and his choice of allies has evolved as the end of his first term approaches and he faces reelection in March 2004. Initially, he set up a partnership with the country's most powerful businessmen and seemed to be working with them against the governors. During the first part of his term, he implemented policies that sought to limit the power of the governors. The alliance with the oligarchs was an important aspect of this policy.

The expansion of big business into the Russian regions following the 1998 financial crisis did more to shake up regional politics than Putin's reforms establishing the seven federal districts. Most importantly, big business began to buy up regional enterprises, disrupting the cozy ties that had existed between regional business owners and the governors in the 1990s. Such limits on the governors' economic power constrained their ability to rule their regions as fiefdoms, as they had in the past.

Over the course of 2003, however, Putin sensed that the governors were less of a threat to him than the oligarchs and he moved his focus from the regions to business. There have been no major initiatives regarding the regions in the last year, as the Kremlin has focused on limiting the power of big business, most notably in attacking Yukos and Mikhail Khodorkovsky, who seemed to go out of his way to make himself a martyr for this cause. The attack on business made it reasonable for the Kremlin to ally itself, at least temporarily, with the governors. The split within the Kremlin probably made this dual approach possible: while the siloviki attacked business, the "family" lined up support among the regional leaders for United Russia.

One consequence of the new policy is clear: it will increase the level of corruption in Russia. By giving the governors the green light to use their "administrative resources" to win the elections, Putin signaled that concerns about the rule of law were secondary to winning elections.

In late November, the Kremlin brought its public anti-corruption campaign to a head when Putin set up a presidential council for fighting corruption including himself, the prime minister, chairmen of both houses of parliament, and the chairmen of the three top courts. However, the conduct of the elections and Putin's long-term efforts to limit the media and civil society mean that his anti-corruption efforts are more for show than an effort to actually address the problem.

The way that the elections were conducted allowed the governors to flout the spirit and letter of Russia's campaign laws aimed at providing fair elections. This situation will undoubtedly carry over into the presidential elections early next year. After the balloting, the Kremlin will have a hard time reigning in the governors' use of their power. With business on the defensive, the governors will be able to extract more resources from the large companies working in their regions. Given the overall lack of transparency and public oversight, there is little reason to think that these resources will

be used effectively in the public interest. Corruption will increase because the governors will now have Kremlin sanction to use their extensive regional powers to their fullest extent.

In the reports below correspondents from various regions detail how regional and federal officials applied pressure to ensure that the vote had the proper outcome. Clearly, the tone that this elections set for the next four years will do little to increase the low level of public accountability in Russia. We will publish additional reports in upcoming editions of the Russian Regional Report. The funding for this research in the single member districts came from the Carnegie Corporation of New York. - Robert Ortung

KRASNODAR (41): GOVERNOR-BACKED UNITED RUSSIA CANDIDATE WINS. Vladimir Gorbachev, the head of Krasnodar Krai's Southern Telecommunications Company, the local telephone monopoly, won a decisive victory in District 41, just as observers long predicted that he would. His preparations began at least three months before the start of the campaign. Krasnodar gained an extra district this year because of its growing population and this redistricting suited Gorbachev perfectly.

Before the campaign, the district was purged of inconvenient candidates. Specifically, V. Izmailov, a locally well-known businessman, politician and regional legislator, was planning to run, but decided to move into a less propitious district after a conversation with Gorbachev and the regional authorities.

Gorbachev had Governor Aleksandr Tkachev's strong endorsement. He exploited the resources of his phone company, installing phones at unusually low rates (particularly in rural areas) in the months leading up to the elections. Additionally, he began distributing gifts to schools and hospitals in the summer and the process continued through the end of the campaign. His nomination by the United Russia party only put the icing on the cake.

Gorbachev's opponents rarely criticized him, or if they did it was not widely known. The media generally gave him favorable coverage and his advertisements were widespread. His many program points were typical: optimizing state management, reorienting Russia's economy from raw materials to high technology, supporting agriculture, social policies, and accessible education.

The second largest vote getter in the district was "against all."

ST. PETERSBURG (210): UNITED RUSSIA WINS THANKS TO KREMLIN. In St. Petersburg District 210, United Russia candidate Andrei Shevelev won with 19 percent of the vote. Rodina candidate Anatolii Krivenchenko came in second with 15 percent and "against all" came in third with just over 14 percent. Yabloko candidate Anatolii Golov, the fourth place finisher, complained during the campaign that the authorities had abused their powers, but he was not able to make his charges stick. Turnout in the district was about 44 percent, down from an approximately 50 percent average for St. Petersburg in 1999.

In this district, as in many others, the liberal parties Union of Right Forces and Yabloko were simply out of touch with most voters. Television campaigned heavily against the Communists, while strongly boosting the pro-Kremlin United Russia with the slogan "Together with the president." Rodina scored a big success with the slogan "We will return the country's riches to the people."

United Russia's victory in Petersburg is logical. Just a few months before the Duma elections, the city elected Valentina Matvienko as St. Petersburg governor at Putin's strong urging. The people did not particularly like being pressured, leading to a low turnout in the elections (29 percent) and forcing Matvienko to compete in a runoff. Essentially the same happened with United Russia, since Putin strongly backed the party on the eve of the elections. The people went along with his recommendation, but turnout was lower than usual.

In District 210, Rodina's Krivenchenko won in two of the district's five subdivisions. These two raions - Kurortnyi and Kronshtadskii - are far from the city center. The strength of Rodina was that, in contrast to SPS and Yabloko, the party members could agree among themselves and create a unified team. Additionally, the national question often is important to Petersburg voters. One of the key issues for locals is the ability to cross Lithuania without a visa. Rodina party leader Dmitrii Rogozin solved this problem. A second issue was the recent conflict with Ukraine over Tuzla island. Against Rogozin was in the forefront in addressing this issue. Economics also played a role. While the standard of living in general has improved, many pensioners and public sector workers live from paycheck to paycheck. Therefore, Rodina party leader Sergei Glazev's slogan calling for increasing taxes on the use of natural resources and depriving the oligarchs of their superprofits, giving this money to the population, would help this category of people improve their situation. - Maria Makova in St. Petersburg

AUTHORITIES PRESS FOR PERM-KOMI PERMYAK MERGER

REFERENDUM. In Perm Oblast and the Komi-Permyak Autonomous Okrug, one of the key issues was whether voters would deliver the 50 percent turnout and positive votes required to approve a referendum on the merger of the two regions. Putin had made clear that he strongly supported a merger and Perm Governor Yuri Trutnev worked hard to ensure the proper outcome.

Their work paid off: turnout was over 60 percent and about 85 percent of the voters approved the referendum. However, the Perm Regional Human Rights Center and the Perm Oblast Human Rights Ombudsman protested the tactics used to win this vote, claiming that they violated fundamental human rights. The heads of many enterprises and public sector offices, especially in health care, pressured their workers by making them bring in proof that they had voted. According to Perm Civil Chamber Director Igor Averkiev the Perm governor's administration and the oblast electoral commission exerted this pressure.

Perm Oblast Electoral Commission Chairman Anatolii Lebedev said that he had never issued such an order and on 3 December instructed precinct electoral commissions "not to sign or hand out such certificates."

On election day, several voters sought to receive documents certifying that they had voted. In a radio interview, Lebedev said that he had personally visited several polling places and talked to several such voters asking them to tell him confidentially where they worked. These voters refused to provide such information.

With the approval of this referendum, Russia now has a precedent for moving forward on merging two of its 89 regions. - Andrei Suslov in Perm

KOMI-PERMYAK: INCUMBENT TIED TO MERGER REFERENDUM.

Incumbent Andrei Klimov scored a decisive victory in the Komi-Permyak Autonomous Okrug, benefiting from Putin's support and the simultaneous vote on the region's merger with Perm Oblast. Klimov is well respected and is ethnically Komi-Permyak, like 60 percent of the district's population. He was one of the first and most ardent advocates for merging the Komi-Permyak Okrug with Perm Oblast, an idea backed by referendum on the same day. President Putin visited the region on 31 October and Klimov was in his retinue, solidifying his relationship with the president.

A key issue for the region's voters is how to address the crushing poverty of the region. Klimov sees the answer in the merger, gaining access to Perm's much greater resources. Klimov's main challenger, Anatolii Nikatasenko, argued that the best way to improve economic conditions in Russia was to raise salaries and pensions. He claimed that this task could be accomplished by have more deputies like himself in the legislature.
- Yuri Shabaev

SARATOV (156): UNITED RUSSIA'S VOLODIN WINS BIG, WITH GOVERNOR'S RELUCTANT BACKING. United Russia incumbent Vyacheslav Volodin won approximated 82 percent of the vote in Saratov's District 156, a constituency that had been specially created for him. Even current incumbent Nikolai Sukhoi moved into a new district to make way for Volodin.

Communist Olga Alimova ran in the district saying that she wanted to "give Volodin a fight" even though she would have had better chances running in another of Saratov's four districts. She scored just over 9 percent.

Governor Dmitrii Ayatskov has a long history of conflict with Volodin and only supported him under pressure from the Kremlin. Accordingly, Ayatskov was relatively passive in the campaign. Nevertheless, all of the administration's resources were used to support Volodin's candidacy, provoking the complaints of his opponents. Ayatskov publicly stated that Volodin's victory was inevitable and declared that a positive outcome. Volodin also had the support of Balakov Mayor Valentin Timofeev.

Volodin had extensive financing from Moscow, particularly the company N'yuveis-Evraziya and the United Russia party. He also had support from the Buket group of companies that he controls. His campaign focused on his status as a federal politician and his ties through his party to Putin.

The entire campaign proceeded under the mark of scandal. At the beginning of the campaign, representatives of the Union of Rightwing Forces (SPS) found a document discrediting the district electoral commission entitled "Additional measures for achieving United Russia's electoral campaign." It listed three members of the commission with ruble sums next to their names. The signature of S. Kud stood at the bottom of the document. Commission member Sergei Kudinov, representing Fatherland-All Russia, admitted that the document belonged to him. However, he claimed that the document had been stolen, according to the local *Svobodnaya gazeta* and *Svobodnoe teledenie*. A majority of the commission appealed to the oblast electoral commission and United Russia to remove Kudinov. However, Kudinov remained on the commission and the party did not comment about the situation. - Ilya Malyakin in Saratov

SARATOV (157): UNITED RUSSIA, GOVERNOR-BACKED CHALLENGER DEFEATS INCUMBENT. Petr Kamshilov, with the strong backing of Governor Dmitrii Ayatskov and the pro-Kremlin United Russia party defeated incumbent Duma member Oleg Korgunov, representing the People's Party, in Saratov's District 157. The Communists' position in this district was significantly weakened when Olga Alimova decided to run in District 156.

Ayatskov publicly backed Kamshilov's election and used all of his resources to secure his election. Kamshilov's opponents, particularly Korgunov, filed extensive numbers of complaints about the governor's abuse of office. The region's main media, the television station Saratov and the daily newspapers *Saratovskie vesti* and *Saratov-SP* mobilized voters in support of Kamshilov and ignored the other candidates. The same was true for Balashov TV, controlled by the oblast and local authorities, and the numerous raion newspapers the authorities control in the area. Kamshilov apparently also had support from Volodin, working out a three-way deal with the governor to secure additional funding. Since Ayatskov has extensive influence over the mayors in this district, he was able to mobilize them in Kamshilov's support (www.politcom.ru/2003/obsh_vibor7.php). - Ilya Malyakin in Saratov

SARATOV (158): UNITED RUSSIA, NON-GOVERNOR'S CANDIDATE WINS. The winner in Saratov's District 158 was Vladislav Tretyak, the well-known hockey player, who is now a sports adviser to President Putin, taking about 25 percent of the vote. First Deputy State Duma Speaker Lyubov Sliska backed his candidacy in the district. Although he ran as an independent, Sliska convinced the leadership of United Russia to back him because he had the kind of charismatic personality necessary to defeat incumbent Communist Valerii Rashkin, who won just over 20 percent. Sliska's backing of Tretyak deepened her conflict with Duma member from Saratov's District 156 Vyacheslav Volodin, who wanted to run a different candidate in the race. Ayatskov played an extremely passive role in this campaign and did not even meet with Tretyak when he came to Saratov in the beginning of October to file his documents. - Yuliya Yeliseeva in Saratov

NENETS AUTONOMOUS OKRUG: CHILINGAROV WINS DESPITE CRITICISM. The Nenets Autonomous Okrug's long-term incumbent Artur Chilingarov, running on the United Russia ticket, won a decisive victory (45 percent) after facing a tough campaign in which his opponents accused him of losing touch with the region. Chilingarov has represented Nenets in the Duma since 1993 and is the only person to serve three times as deputy speaker.

Chilingarov's propaganda painted him as a fearless polar explorer with a deep love for the north. However, Chilingarov's ties to the region have been increasingly tenuous. His opponents attacked this weakness arguing that he no longer understands the problems of the region.

Chilingarov had the strong support of LUKoil, which also controls one of the region's three newspapers, *Edei vada*. The okrug's oldest independent newspaper, *Nyaryana vynder*, is falling on hard times and in October its circulation dropped to 1,600 in a region whose population is only 41,500 according to the 2002 census. This paper is no long playing a key role. Chilingarov began publishing a campaign paper with a 15,000

circulation, which he hoped would dominate the information market and give the impression that he had the election all tied up. However, this did not happen. Several of Chilingarov's opponents managed to publish their own campaign papers with similar circulations. Although Nenets governor Vladimir has been a staunch opponent of Lukoil in the past, he was not able to block Chilingarov's victory. - Yuri Shabaev

ROSTOV (143): GOVERNOR BACKS EX-FSB AGAINST INCUMBENT. In Rostov Oblast's District 143, Valerii Dyatlenko, the former Federal Security Service (FSB) chief for the region, easily defeated incumbent People's Party candidate Viktor Topilin, winning 57 to Topilin's 12 percent. A relatively high 14.11 percent voted against all, making this the second place vote getter.

The relatively unknown Dyatlenko benefited from the governor's support and the backing of the pro-Kremlin United Russia to eliminate the well-known Topilin. Topilin worked for many years in the region's transportation sector and has many ties to the region's leading businessmen. Dyatlenko's campaign, on the other hand, relied almost exclusively on the governor's institutional power and he had trouble attracting an effective staff.

Dyatlenko is a trusted member of the governor's team. Immediately after he lost his position in the FSB, he went to work for the governor as his advisor on security issues.

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Russian Regional Report
(Vol. 8, No. 25, 18 December 2003)

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2003 STATE DUMA ELECTIONS

SAKHALIN: COMMUNIST WINS WHILE FISHING, OIL INTERESTS

BATTLE. The Sakhalin elections took place in unusual conditions because several months before the voting, Governor Igor Farkhutdinov and many of his key aides were killed in a helicopter crash. With the region's most dominant figure gone, the acting governor did not exert much influence over the campaign.

In the end, Communist incumbent Ivan Zhdakaev won with 28 percent of the vote. Zhdakaev worked in permanent opposition to the oblast and federal authorities, repeatedly accusing oblast bureaucrats, federal officials, and big business of corruption. He repeatedly sent accusations to the procurator and frequently went to court to defend his honor. Zhdakaev's main electorate includes the poor people of the region and pensioners. These groups are among the most disciplined voters and had little in common with the other candidates.

The other two leaders were largely competing for the same electorate and, since both were reasonably successful, split the votes between them. Vladimir Yefremov, the chairman of the oblast Duma and before that Rosneft's chief representative in the Far East, won 21 percent. He had the strong backing of the oil industry and the United Russia party. His main negatives were his lack of charisma and the protest vote against aggressive oil interests.

Third place finisher Sergei Podolyan, with 20 percent of the vote, had the backing of the fishing industry. He served as a deputy governor, but with the untimely death of the governor, he could do little to take advantage of this connection.

KOMI: FORMER GOVERNOR'S VICTORY SERVES AS REBUKE FOR SITTING GOVERNOR. The electoral battle in Komi, a potentially rich region that is currently poor, served as a referendum demonstrating voter dissatisfaction in the leadership of Governor Vladimir Torlopov. Former Governor Yurii Spiridonov, who is strongly critical of the current governor, won by a margin of less than 500 votes, barely defeating Vikentii Kozlov, the director of the Svyaz company, who ran with the governor's backing. Spiridonov had 27.4 percent of the vote, while Kozlov had 27.3. "Against all" was the next highest vote getter at 19.6 percent and the protest vote was particularly concentrated in the region's poor coal mining regions.

Spiridonov's campaign essentially continued the battle he lost two years ago in trying to hold on to the governor's seat. He focused mostly on local issues and generally ignored national problems. This strategy connected with voters since they felt their standard of living dropping in the last two years and are searching for a better life.

Spiridonov claimed that he started most of the positive things happening in the republic, while the current leadership is heading in the wrong direction. He took advantage of several recent initiatives by Torlopov that are extremely unpopular among the population. Among these are the elimination of regional supplements to public sector salaries (the so-called "Spiridonov supplement") enacted on 1 October, the attempt to merge all of the capital city's universities into one unit without first discussing this decision with the university community, and sharply higher prices for municipal services. Spiridonov had strong support in Vorkuta and Syktyvkar, where the protest vote has increased recently.

Kozlov's campaign argued that he would do the best job of increasing Moscow's support for the country's northern territories. His supporters in the current administration sought to convince the voters that Spiridonov's economic policies had been wrong-headed. - Yurii Shabaev in Syktyvkar

MOSCOW (194): YABLOKO CANDIDATE UPSETS LYSENKO IN UNUSUAL RACE. Incumbent Vladimir Lysenko had been the clear favorite to win another term in Moscow's District 194, continuing his 13 years of service in the Russian parliament. However, he lost by a margin of 31-24 percent to Moscow City Duma Deputy Galina Khovanskaya, who ran on the Yabloko ticket.

This race was unusual for Moscow because the United Russia label, and therefore the backing of Moscow Mayor Yurii Luzhkov, did not play a significant role. Most Moscow districts predictably elected the candidate jointly backed by Luzhkov and United Russia, though District 201, where Yabloko incumbent Mikhail Zadornov won was another exception.

Since there was no official United Russia candidate in District 194, Luzhkov had little choice but to support the incumbent Lysenko in the district because none of the other candidates would be acceptable. Lysenko ran as an independent, but had the backing of the Republican Party of which he is the chairman. Overall, Luzhkov's support

was rather tepid and Lysenko clearly had limited resources and limited access to the local and national media.

Luzhkov could not support Khovanskaya because she was running on the Yabloko ticket, which is in opposition to United Russia. However, he has good relations with her and may have helped her become chairwoman of the city duma's committee on housing policy and communal reform. She was able to use her position in the city duma to gain media access during this campaign.

Since the use of administrative resources was largely neutralized in this district, the campaign revolved around the abilities of the two candidates. The charismatic Khovanskaya did a much better job in this respect. She also had strong financial backing from Yabloko and several Moscow businesses.

ULYANOVSK (181): AGAINST ALL WINS. Ulyanovsk's District 181 was one of four in the country where "against all" was the top vote-getter. In 1999, the number of districts where against all won was 8. While this year seems to be an improvement on the situation, "against all" did well in many of the single-member district races, often taking around 15 percent of the vote and finishing second or third in the race.

In District 181, which includes the city of Ulyanovsk and the surrounding area, turnout was 51 percent, and 19.8 percent of the voters chose "none of the above" on the ballot. The next highest vote-getter was Galina Fedorova, the head of the city's children's hospital, with about 10 percent. In a field of 14 candidates, among the other losers were the candidate of the federal government, State Duma member Vadim Orlov (People's Party), Communist State Duma member Aleksandr Kurglikov, Governor Vladimir Shamanov's candidate Vityaz Brewery General Director Anatolii Litvinov, and the well-financed Union of Right Forces candidate Sergei Gerasimov. The voters determined that none of the candidates had what it takes to solve the city's problems. The vote also reflected a strong negative attitude toward the incumbent oblast and city authorities.

In particular, the candidates lacked solutions to the pressing problems of the housing sector and municipal services, high energy prices, low salaries, and crime. Additionally, the candidates clearly lacked the ideological and organizational support of the parties that backed them.

In the party list vote, Ulyanovsk's returns were similar to those of the rest of the country. Chief Federal Inspector in Ulyanovsk Aleksandr Ivanov organized a movement to back United Russia and it did the lion's share of work to support the party. The official oblast television station Volga broadcast regular reports in which local citizens expressed support for the pro-Kremlin party. To discredit the Communists, the authorities created a group to run in the oblast's legislative elections called "Communists." This group sought to disrupt the Communist Party of the Russian Federation's November demonstration by holding up a banner asking the Communist candidate "Where did you park your BMW?" National television broadcast pictures of the event to the rest of the country. - Sergei Gogin in Ulyanovsk

ROSTOV (145): HEAVY SUSPICIONS OF FALSIFICATION. In Rostov's District 145 Deputy Governor Zoya Stepanova, the wife of Rostov-na-Donu's mayor, won with 88,589 votes. Her closest competitor was Communist Nikolai Kolomeitsev, with 85,589

votes. Observers point to several suspicious events surrounding the elections that suggest that they may have been falsified.

Even before election day, observers were worried about the large number of permits passed out allowing citizens who were not able to vote at their polling place to vote elsewhere in the district. According to Russian law, a citizen who does not vote where he is assigned by residence can vote on both the party list and single-member district parts of the ballot if he or she is voting in the same district in which he or she lives. In District 145, 12,323 such permits were distributed. This is a very large number for elections taking place on the weekend. (It is substantially larger than the number distributed in the six other Rostov districts. In most of those districts, the number was in the 2,000 to 3,000 range, though it was 6,511 in District 146.)

Two days before the polling, the district electoral committee voted to send additional permits to precincts for their further distribution. This is a violation of Russian law, which states that such permits must be sent out four days before the elections. Candidate Vladimir Shcherbakov filed a complaint with the court on this topic, but the court rejected his case and backed the electoral commission.

On election day, informal reports suggest that heads of businesses located in the District threatened their employees with being fired if they did not take such permits and use them to vote for Stepanova. Additionally, Communist Party observers noted instances where voters were given ballots that were already marked in favor of Stepanova.

It seems likely that the main falsification took place on election day, particularly in the precincts and territorial commissions of the Proletarskii and Pervomaiskii raions in the city of Rostov-na-Donu. Most likely the ballot boxes were stuffed with ballots marked for Stepanova and then voting protocols were doctored in her favor. As the vote count proceeded, Kolomeitsev seemed to be winning up until about one in the morning. Then there was a three-hour break, after which Stepanova began to lead, usually getting the same number of votes as United Russia. She even beat Kolomeitsev in areas where the Communists usually do well.

The Rostov Oblast Commission also behaved suspiciously. It announced Stepanova's victory even before the voting had been completed.

PRIMORSKII KRAI: WEAK SHOWING FOR UNITED RUSSIA. In the Far East's Primorskii Krai, the pro-Kremlin United Russia performed less well than it did in other parts of the country, but only incumbent Viktor Cherepkov was able to withstand the pressure of the authorities in the region's three single-member districts. Participation in the region was about 40 percent, considerably less than the national average. On the party list vote, United Russia won only 27.8 percent, also less than the national average.

United Russia's relatively poor performance in Primorskii Krai is not surprising. During a trip to Vladivostok in the summer of 2002, President Putin promised preferential treatment for the region. However, despite the presidential promises, the krai never received any benefits. Just the opposite -- shortly after the president left, duties for imported cars rose dramatically, negatively affecting the economies of the eastern part of the country. Japanese cars make up 90 percent of the market in the krai.

It also did not help United Russia that businessman and krai legislator Vladimir Nikolaev, well known in criminal circles by the nickname "Winnie the Pooh" headed its local campaign staff. Additionally, the party of power suffered because residents in the

southern part of the krai have had only spotty water supplies. The party only received the votes that it did thanks to Putin's personal popularity.

In District 52 incumbent Viktor Cherepkov was able to win despite opposition from the krai authorities. He complained repeatedly to the law enforcement agencies about violations of the electoral laws by the authorities, but they refused to act on his allegations. Cherepkov's main opponent was the head of the Far Eastern branch of the Novolipetsk Metal Factory Pavel Patsvalda, running on the United Russia ticket. Observers claim that Patsvalda spent about \$3.5 million on his campaign, while Cherepkov avoided all campaigning, fearing that the authorities would use any pretext to remove him from the race. When the district electoral commission disqualified Cherepkov early in the campaign, only a subsequent decision by the Russian Supreme Court and the Central Electoral Commission cleared the way for him to run.

In District 53 Svetlana Goryacheva won, running as an independent candidate. She had the support of the authorities because her recent departure from the Communist Party had done a lot to disrupt its strength in the region. Goryacheva's main opponent was Khasan Raion Mayor Viktor Krivulin. As soon as he went on leave to run his campaign, the raion council appointed a new mayor who had been in opposition to Krivulin and began to systematically remove all of his allies from office. Krivulin said that various school and hospital directors then received instructions to prevent him from meeting with their staff. Additionally, the procurator refused to investigate evidence that Krivulin provided alleging that Goryacheva was keeping illegal campaign propaganda in her office. He charged that the literature was not properly identified as campaign material and therefore exceeded official spending limits.

In District 51 United Russia candidate Vasili Usoltsev defeated Communist incumbent Vladimir Grishukov, who will remain in the Duma on the Communist Party list.

KALMYKIYA: RESULTS SPARK UNPRECEDENTED PROTEST. In Kalmykiya's District 15, United Russia candidate and incumbent Gennadii Kulik won 41 percent of the vote, defeating his main opponent, Valerii Ochirov, an advisor to the Russian Ministry of Internal Affairs, who ran as an independent and took 31 percent of the vote. Kalmykiya President Kirsan Ilyumzhinov strongly backed Kulik, while Ochirov has long been in opposition to Ilyumzhinov.

Despite official assurances that the vote count was fair, on 8 December Ochirov and his supporters began an unofficial protest in the square in front of the president's office on 8 December. They charged that Ilyumzhinov had cooked the results and called for his resignation.

The protesters' suspicions were raised when the release of the vote totals was long delayed. The local press only published overall results on 15 December, while results from the republic's 14 electoral subdivisions were still not on the Central Electoral Commission's website (www.cikrf.ru) on 18 December.

The demonstration lasted without interruption until 10 December. The main groups involved were members of the social movement Rodnoi krai. As the protest progressed they were joined by representatives of the Union of Right Forces, the organization "General Gorodovikov, and the Communists. At its height, the protesters numbered about 1,000.

On 9 December the protesters seemed to gain resolve and the situation became dangerous. The authorities feared that the demonstrators might push into the presidential offices. At first the local law enforcement officers gained control of the situation, but then they activated Vulkan-1. This plan involved the local police and Federal Security Service as well as OMON and special forces units from other regions.

On 10 December Presidential Representative to the Southern Federal District Viktor Kazantsev arrived. He actively intervened in the situation, reaching an agreement by which the opposition stopped its protests. He also set up a special commission to investigate possible falsifications in the elections. Its members will include representatives of the procurator general's office, the Justice Ministry, the presidential envoy's staff, and the Central Electoral Commission. That evening the protesters left the square and the situation has now returned to normal.

Kalmykiya's opposition has held demonstrations in front of the republican president's offices many times in the past, but there had never been such a potentially dangerous confrontation with the authorities. No violence took place this time as well. Perhaps the protesters were emboldened by Ochirov's presence, thinking that it represented support of Russia's powerful Ministry of Internal Affairs or the federal government as a whole. Of course, Ochirov was protesting the victory of a candidate backed by the United Russia party, which was led by the Minister of Internal Affairs Boris Gryzlov himself. The ministry has called Ochirov in to explain his actions, according to *Nezavisimaya gazeta* on 11 December.

GUBERNATORIAL ELECTIONS

"OLIGARCH" SET TO WIN AS TVER GOVERNOR. United Russia's Dmitrii Zelenin won more than 42 percent of the vote in Tver and is set to replace Vladimir Platov in a runoff on 21 December. Zelenin is the head of the Managers' Association of Russia, the deputy head of the State Sports Committee, and a former executive at Norilsk Nickel. He will face Igor Zubov in the runoff, famous for starting the process leading to the recent indictment of Platov on abuse of office charges. Platov finished fourth in the race with about 12 percent of the vote.

Zubov is trying to mobilize voters against Zelenin with the slogan "Don't give Tver to the oligarchs!" hoping to capitalize on the general anti-oligarch mood in the country. In this case, however, it does not seem that the strategy will work. - Boris Gubman in Tver

SPECIAL REPORT

THE DISCRETE CHARM OF POLITICAL STAGNATION: A VIEW OF THE RUSSIAN ELECTIONS FROM NOVGOROD

Nicolai N. Petro, Professor of Political Science at the University of Rhode Island

In some ways Novgorod Region is a rather typical Russian typical. Entering the 1990s it had a declining industrial base focused on radio-electronics and truck manufacturing. It was ranked 63rd of 89 regions in investment potential. With only one

medium-sized town and a shrinking population, young people had few prospects but to flee to St. Petersburg three hours away. Russian investors had every reason to avoid it and the government to ignore it. Which is exactly what they did.

But the Novgorod elite responded to this situation in an unusual way--by developing a corporate mentality designed to attract new investors to the region. This mentality, which I call "Novgorod, Inc.," designed the local tax laws to benefit greenfield investments and eschew speculative ones, it put foreign companies in charge of writing the statutes providing legal guarantees for foreign investors, it streamlined the approval process, pioneered land sales, and basically did everything it could at the local level to make the region investor friendly.

In the process of revising legislation specifically to suit the needs of foreign investors, the elite and the bureaucracy also found themselves revising elements of the local government, streamlining the budget process and shifting 70-80 percent of budget authority annually from the regional (oblast) level into the hands of mayors and district heads. Thanks to such reforms, the region's dependence on federal budget transfers has fallen from 52 percent to 7 percent even as the federal tax bite has increased dramatically.

The net result has been that foreign investors have taken the place of the federal government, pouring nearly three quarters of a billion dollars into the local economy over the past decade, preserving 20,000 jobs while creating 7,000 new ones, wiping out backlogs in pay for state workers, pensions, and subsidies for families with children. Even during the dismal years from 1995 to 1998, when Russia's GDP declined by 2.7 percent annually, Novgorod's regional domestic product was already growing by nearly 4 percent a year. Since then, it has continued to grow faster than the national average.

As a result, an unusual political situation has developed--a popular local governor and a respected local government with almost no political infighting, an oasis of social tranquility where everyone seems to be pulling together. Against the backdrop of Russia's fractious national politics, this seems so implausible that most political analysts looking at Novgorod from the outside have simply concluded that the region must be politically stagnant--totally under the thumb of an authoritarian local governor, Mikhail Prusak. The proof is in the landslide elections he has won in both 1999 and 2003 against completely insignificant opponents.

But there is much more to Novgorod political life than would strike the eye of the casual observer. Having been an observer-participant in Novgorod political life for much of the past five years, I'd like to tell you about some of the political forces at work in the region and explain how they have affected the current campaign cycle.

Two key components to Novgorod's success are local self-government and civic involvement. In a nutshell, Novgorod pioneered the introduction of local self-government in 1994, as well as the devolution of fiscal responsibility to district heads. Streamlining and consolidating the regional budget, allowed it to set up a stabilization fund for the poorer districts, as well as tax abatements that lured investors into depressed districts. Unfortunately, some of these have had to be rescinded to meet the less progressive standards of the latest national legislation, but the Novgorod model of decentralization has already worked out many of the features that the national government is still trying to introduce.

Another central component of political life in Novgorod is the role of civic organizations in the deliberative process. Again, in a nutshell, the local social chamber, a

forum of some 65 socio-political organizations, serves as the de facto lower house. It vets regional legislation before it is approved by the Duma, and serves as a public venue where officials submit to public questioning. Interestingly, this includes the Novgorod state prosecutor, regional federal inspector, and the local election commission, who are not formally subject to local jurisdiction.

The entire budgetary process flows through the social chamber, and culminates each year, as it has for the past seven, in a televised public forum in the Great Hall of the administration, at which the governor and his chief aides go through the budget line by line, defending it. The result balances the interests of corporate managers (trade unions and business leaders) while giving shareholders--the local residents--a stake in the system.

Novgorod Inc.'s very success in providing such widespread economic and political stability has created the socio-economic conditions for the emergence of new forces to challenge the status quo. The first warning shot came during the December 2002 elections to replace Mayor Alexander Korsunov, who died tragically the previous summer. His demise left the city's business elite feeling that it had lost an advocate as well as the most likely successor to Prusak. In the past decade the number of new small and medium sized businesses had grown by a factor of six. While Prusak seemed increasingly distant and concerned with his national image, Korsunov could always be counted on to lend a sympathetic ear to their concerns.

His death thus led to a sudden vacuum of power in the city, and the brief three-month election cycle, and Prusak's uninspired choice of Nikolai Grazhdankin, a former Soviet era city official to replace Korsunov, thus presented a unique opportunity to seize political initiative in the region.

The challenge was led by two of Korsunov's deputy mayors: Nikolai Lobach, a highly successful local builder who had been the mayor's liaison to the local business community, and Alexander Vasilyev, a rambunctious local civic organizer and former head of the radically pro-Yeltsin Novgorod city Soviet of 1990-1991. They were joined in their revolt by one of the region's most influential journalists, Viktor Krutikov, editor of the city's weekly newspaper, Novgorod, that is distributed free-of-charge to every home in the city.

Belatedly Prusak came to realize that there was indeed a serious challenge to his candidate. He therefore sought to portray the insurgents not as local businessmen, but as the long arm of outsider oligarchs reaching into "our home town." Without naming any names he vowed to oppose that which no one was actually proposing, namely the sale of political influence to the highest bidders. This strategy has a particular resonance in Novgorod because the local business community has indeed periodically had to fight off efforts by the St. Petersburg mafia to "get a piece of the action" in Novgorod.

The result was the most competitive and well attended local election Novgorod has seen in the past decade. With two-thirds of the electorate voting, the governor's candidate won by a plurality of 40 percent, with a surprisingly strong showing by the Communist candidate Valery Gaidym, as well as the business community's candidate, Lobach.

The business community failed this time, but it had drawn blood. Analysts now agreed that a better organized campaign, with a more appealing candidate, and enough time to promote his agenda might succeed. As a result, there has been a frenzy of

investments by local businessmen in the local media. Aside from nearly a dozen new journals and newspapers, and a new local TV station, even the Novgorod region's mainstay television station "Slaviya" has benefited from the windfall, and in 2004 will generate enough revenues to double its broadcasting hours.

The September 2003 gubernatorial elections, by contrast, were entirely predictable. Prusak was re-elected to a third term by 80 percent of the vote. The reason is quite simple--when you can pull off an economic miracle of this magnitude, in a region so desperately lacking in natural resources, and in the midst an eight percent decline in the population, it is not difficult to win another term. Prusak's track record has made him politically invincible in the region, so much so that even Mikhail Khodorkovsky, with his bottomless financial resources and financial stranglehold over the largest corporate contributor to the region's budget--the Akron fertilizer plant--apparently thought the better of trying to unseat him.

The December 2003 Duma elections for the region's single-mandate seat, however, had an unexpected outcome. The odds on favorite, incumbent military hero Yevgeny Zelenov, was unseated by Novgorod district head Alexander Filippov. Despite prominent clashes with Prusak, Zelenov had been expected to win. What seems to have stuck in voter's minds more than Zelenov's success at bringing federal money into the region, was his decision to renege on his 1999 campaign pledge to remain independent, and instead to join United Russia. As a result, while United Russia won the region handily, one of its top regional leaders lost.

Filippov, who ran with the governor's whole-hearted backing, campaigned for lowering the tax burden on small businesses, increasing taxes on oil and natural gas producers, and shifting funding so that the majority of taxes gathered in region stays in the region. On all three issues he sees eye to eye with the governor, and it certainly helped that, among the nine candidates running, he was the only one not affiliated with any national political party.

The only other Novgorodian who might yet join the Federal parliament in this round is the current head of the regional Duma, Anatoly Boitsev, who is listed third in United Russia's party list for the Northwest district. His elevation to the national parliament would clear the way for his young deputy, Sergei Fabrichnyi, and provide a good launching pad for a future gubernatorial campaign.

But future political developments in the region will depend largely on the strategy chosen by local civic associations and businesses. Will they prefer the familiar course of co-optation, working within the regime to influence local policies, or will they decide that this strategy has reached the limits of its usefulness--and that with Prusak essentially now a lame duck, the time has come to strike out and forge new alliances between businesses and civic organizations and create a broader base of political support.

My own bet is that while many service-oriented NGOs will continue to prefer the old "apolitical" model, a sizable number will begin to define the mobilization of local constituencies on behalf of local political candidates as an essential task. This does not mean that they will become political parties, or that they will show any desire to associate with national political parties. Instead, they will try to position themselves as intermediaries in the political process, between political parties and government, and on behalf of the citizenry. The main difference now is that they will increasingly do so

outside the Social Chamber arena that the administration has so carefully prepared for them.

This is not the neat, party-driven model of politics familiar to Americans. It has much more in common with the post-modern view of political parties that has emerged in Western Europe and Latin America, which looks to smaller, locally based social networks to overcome the remoteness and divisiveness of party politics.

Unfortunately for Novgorod, it is this old party political model that Vladimir Putin is so desperately trying to introduce into regional politics, and on this, as on other federal legislation in the area of tax credits, local self-government, and land, Novgorod may be forced to take a step backward

In the end, however, this conflict of visions highlights what I see as the discrete charm of Novgorod's "political stagnation"--that in the midst of Moscow's efforts to suborn local differences to a single, uniform political model, the Novgorod elite has developed its own vision of what constitutes good government and remained staunchly committed to defending it.

Nicolai Petro initially made these remarks at a roundtable on "The Russian Duma Elections," at the American Enterprise Institute, Washington, D.C., 8 December 2003.

The views expressed in this publication are those of the authors and do not necessarily reflect the opinions of the American University or the Swiss Federal Institute of Technology (ETH), their staff, or sponsors.

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American University and the Transnational Crime and Corruption Center

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COMMENTS AND QUESTIONS

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Russian Regional Report
(Vol. 8, No. 26, 23 December 2003)

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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GEORGIA'S REVOLUTION AND RUSSIA'S REGIONS

KRASNODAR SEEKS RETURN OF MESKHETIAN TURKS. Since their region sits on the border with Georgia, Krasnodar Krai residents naturally followed the events of the November Revolution of the Roses with great interest. What happens in Georgia can have a great impact on the social and economic life of Russia's south. There are many problems in southern Russia that can only be resolved at the federal level and Krasnodar is once again seeking federal assistance in returning the Meskhetian Turks living in the krai to Georgia.

On 29 November the krai legislature adopted a resolution to President Putin and other federal leaders asking them to activate negotiations dealing with this issue. This appeal was the fourth request for federal help the regional legislature has made since 1999. Each time the Ministry of Foreign Affairs asks the Georgians to start negotiations, but nothing happens.

The Georgian authorities never said that they would not fulfill their obligations, but never took any concrete actions to do so. The latest attempt is based on the hope that the new authorities will be more reception to such negotiations than the Shevardnadze government. In 1999 Georgian officials told the Council of Europe that they would prepare legislation on returning the Turks over the next two years and carry out this process over the course of ten years. Nothing like this has happened.

The situation surrounding the Meskhetian Turks has been one of the main social problems in Krasnodar Krai since 1989. In 1989 there was a bloody conflict in Uzbekistan's Fergana Valley between native born Uzbeks and Meskhetian Turks moved there at Stalin's orders. With the coming collapse of the USSR, the Soviet government could not use force to stop the atrocities. So on 26 June 1989, the USSR Council of Ministers allowed the Turks to move from Uzbekistan to Russia. The order foresaw the establishment of compact living areas for the Turks in the regions of Central Russia, setting aside housing and jobs for them.

However, 13,500 Turks instead moved to Krasnodar Krai and settled in two raions which were already overcrowded. Two years before the Turks' arrival, the USSR Council of Ministers had limited opportunities to move into these areas. Because of the Soviet government ruling, the Turks coming into Krasnodar could not legally obtain housing or work in their new home. The Georgian-Abkhaz conflict in 1992 made it impossible for them to return home and after the hostilities ended, the Georgian side put off any action on repatriating the Turks.

As a result, the Meskhetian Turks received neither Russian nor Georgian citizenship. Now there are more than 10,000 Turks living in these raions without being registered and without even the status of individuals without citizenship. The leaders of the Meskhetian Turk community have repeatedly appealed to the krai leadership to legalize their status, but have consistently been refused. According to the new federal law on foreign citizens in Russia, which went into effect on 7 July 2002, the Meskhetian Turks should have been registered by the Ministry of Internal Affairs and received migration cards. But several of the Turk leaders called for boycotting this procedure, pointing out that the Russian authorities had no way of punishing them for doing so. In fact, the deportation clause in the law cannot be applied to several thousand people at once, especially if Georgia does not want to recognize the Turks as citizens.

In its latest appeal, the krai legislature warns that the presence of Meskhetian Turks on its territory creates a dangerous spur to inter-ethnic conflict and that the native population is fleeing the area where the Turks live. Many of the locals prefer to sell their homes and move to different parts of the krai. The krai authorities point out that both they and the federal officials want to move the Turks back to Georgia. The view of international organizations, however, is different. A recent delegation from the UN High Commission on Refugees, the OSCE, Council of Europe, and US embassy suggested that the Meskhetian Turks be given Russian citizenship.

The krai authorities insist that the only solution is repatriation, arguing that it is a matter of national security. They warn that the presence of a compact population of Turks in the region could create another "Kosovo," in which the local population is pushed out, creating an ungovernable or poorly monitored autonomy. They claim neither the federal nor krai authorities could accept such an outcome, given the krai's strategic significance in Russia's south and its proximity to the conflicts of the North Caucasus.

The krai's appeal to the president is an effort to resolve a problem that has been festering for nearly 15 years. However, none of the krai authorities are optimistic about its resolution. This issue will most likely be lost among the many important items currently on the Russian-Georgian agenda. Among the many points of contention between the two countries are Georgia's energy debt, the presence of Russian military bases in Georgia, and Russia's position on the three separatist regions in Georgia.

Additionally, it is not clear that the new Georgian president will have sufficient strength and influence to resolve this problem. A solution will require not only the support of the Georgian officials in Tbilisi, but also the regional officials governing the areas to which the Meskhetian Turks would return. - Sergei Danilchenko in Krasnodar

BUSINESS AND POLITICS

NEW OWNER PURCHASES KEY MORDOVIYA FACTORY. In November, the Moscow-based company V.A.V.S. purchased a 70 percent stake in the Lisma light bulb factory, the largest of its kind in European Russia and the major employer in the Mordovian capital of Saransk. Despite agreements to stay on, General Director Vladimir Lityushkin has resigned to take up a seat in the republic's parliament.

The factory employs 14,000 people in Saransk, but recently has been faring extremely badly. The low quality of its output and its high cost has made it uncompetitive. Because it is not able to sell what it produces, weekly work shifts have been cut and wage arrears are growing. The units of the factory have nearly 50 million rubles in debt. Most observers believe that the factory managers have failed to adjust to current market conditions.

As a result, the political leadership of Mordoviya has been unhappy with the factory leaders and did not take any action to block V.A.V.S. from buying up stock in the company with the goal of securing a controlling stake. The republican authorities admit freely that their main reason to sell Lisma was its enormous losses.

However, the republican leaders are more concerned about the social situation than the economics of the plant. Accordingly, at a closed meeting of the factory's board of directors, they made a number of demands on the new owners, including registering the plant in Mordovia so that its tax revenue continues to go to the republic and supporting a number of social infrastructure institutions affiliated with the factory, such as its research institute, soccer club, children's rehabilitation camp, kindergartens, clinics, and rest homes. According to its contract, V.A.V.S. over 5 years must invest \$80 million to \$120 million in the plant.

At the same closed meeting, V.A.V.S. head Viktor Stolpovskikh explained how he would revive the plant. He said that he would end the factory's previous relationships with its dealer network, which made money while the factory declined. In the future, he said that the factory would only sell its goods for cash. He also said that he would pay off all of the factory's existing debts by 1 January. He said that with the drop in the value of the dollar, the factory would become more competitive on Western markets. - Igor Telin in Saransk

CENTER-PERIPHERY RELATIONS

PRESIDENTIAL ENVOY ATTACKS GOVERNOR'S TEAM IN ROSTOV. News that Deputy Presidential Representative to the Southern Federal Okrug Gennadii Kapkanov was planning to run for mayor of Rostov-na-Donu, the capital of Rostov Oblast and the Southern Federal Okrug, has deeply undermined the stability of the Rostov Oblast and Rostov-na-Donu city political elite. The governor and mayor are close political allies.

In Rostov's last gubernatorial elections, the resources of the presidential envoy were not sufficient to prevent Rostov governor Vladimir Chub from winning another term. In the upcoming mayoral elections, though, Kapkanov has additional weapons. A recent audit of the financial and other activities of the Rostov-na-Donu mayor's office found serious problems in that public funds were not used for the purposes for which they were intended. So far, Kapkanov has not released concrete information about the violations, but most likely they will start to come out when the campaign begins in earnest after the new year.

Three years ago, Chub was able to win the personal support of President Putin and no one in the envoy's office was able to oppose him. This time the situation seems to be different. In comparison to the elections three years ago, Presidential Envoy Viktor Kazantsev has dramatically strengthened his political position. Then Kazantsev had essentially no influence on the political process in Rostov Oblast. Now the envoy has hired on several former highly placed members of Chub's team who have various reasons for unhappiness with their former boss. These new allies of the envoy have extensive ties in the region and the envoy has begun to play the role of a magnet for all groups who are dissatisfied with the governor's policies. Having become used to the region's relative stability, the Rostov political and business elite must now choose between the presidential envoy and the incumbent governor and mayor. Failure to choose correctly could have unpleasant consequences.

Kapkanov's political activity and his hostile actions toward incumbent Mayor Mikhail Chernyshov makes it unlikely that the two sides will be willing to work out a deal by which one or the other would withdraw from the race.

Another complicating factor is that Communist leader Nikolai Kolomeitsev may enter the race as well. He lost the 7 December State Duma election to Mayor Chernyshov's wife Zoya Stepanova, in an election whose results he is still contesting. Before his defeat, he made clear that he planned to run for mayor if he did not win a seat in the Duma. The presidential envoy quietly backed Kolomeitsev's Duma campaign, hoping that he would repay such support by backing the envoy's later campaign against the mayor. If Kolomeitsev joins the race, it might divide the current mayor's opposition into two competing camps, thereby increasing the chances that he will be able to hang on to his job. - Aleksandr Krasnov in Rostov-na-Donu

NEW NW ENVOY FOCUSES ON ECONOMICS, NOT POLITICS, IN KOMI. On 2 December Putin's new envoy to the Northwest Federal Okrug, Ilya Klebanov, visited Komi. Klebanov replaced Valentina Matvienko in this position a few months ago, after Matvienko won election as St. Petersburg's governor. Klebanov's policy toward the republic is sharply different from Matvienko's.

In April 2003 Matvienko chose the region as the first that she visited, warning that it faced a dire situation. She charged that corruption was a major problem and demanded that the governor's office take action against it. She also declared that she did not plan to be a "fixer" for the region's problems (see Russian Regional Report, 23 April 2003).

Klebanov came to the region under completely different circumstances. He did not choose it as the first place to go and his trip was an ordinary working visit without any political context. He declared that Komi should lead the economic development of the

northwest federal orkug because it had a number of underutilized opportunities. He said that he had already discussed with Governor Vladimir Torlopov ways to encourage such development. Klebanov said that his main task was to evaluate the republic's investment possibilities, look at several projects, and identify ways to attract investment to the region. In particular, Klebanov plans to focus on a giant project to mine bauxite. - Yurii Shabaev in Komi

REGIONAL FOREIGN POLICY

ASTRAKHAN ACTIVATES EUROPEAN TIES. Until now, Astrakhan has largely focused on developing ties with its Middle Eastern and Central Asia neighbors. During 2000-2002, the region set up ties with Iran, establishing boat service, increasing trade links, opening an Iranian consulate, and cooperating in the construction of the north-south transportation corridor. In 2003 Astrakhan has actively set up business, cultural, military, and diplomatic ties with Kazakhstan. The oblast has actively promoted Kazakhstan in the region and Kazakhstan has just opened a consulate in the region.

Beginning in fall 2003, the region began to focus on its ties with Europe, particularly Germany and Finland. German ambassador to Russia Hans-Friedrich von Pletz visited Astrakhan 16-18 September, emphasizing transportation, security (particularly fighting terrorism), and supporting private business as his priorities (Volga, 18 September). The meeting set the stage for further cooperation between German and Astrakhan's ship building enterprises. Astrakhan shipbuilders subsequently visited their German colleagues at SKL-Motor GmbH and are discussing a joint venture. 26-29 October Berlin held its third annual investment forum focusing on opportunities in southern Russia. Currently, German investment in the regional economy is \$35.5 million, comprising 88 percent of all foreign investment. The Berlin fair discussed possibilities in the tourism, service, construction, transport, and communication sectors. The most popular idea is to build a chain of mini-hotels in old Astrakhan buildings, setting up tourist centers near the city and organizing cruises on the Caspian. Former Soviet leader Leonid Brezhnev used to like to vacation in area.

On 5-6 November Finnish ambassador Rene Nurberg visited the region accompanied by a delegation of Finnish business people. The Finns began working in the region with the construction of the Astrakhan Gazprom facility. During the trip, they were particularly interested in raw materials to support their high tech industry. However, currently most trade is focused on the transportation sector, particularly the north-south corridor. - Arbakhan Magomedov in Ulyanovsk

REGIONAL POLITICS

AYATSKOV OPPOSITION STEPS UP ATTACK. Saratov will elect its governor in March 2005. In anticipation of this event, the secretary of the Oblast Duma Vyacheslav Maltsev has set up two organizations, the "Committee to fight D. F. Ayatskov" and the "Foundation to fight D. F. Ayatskov," the incumbent governor.

Maltsev is a close political ally of Duma member Vyacheslav Volodin, who won a new term in the legislature on 7 December. Volodin had held ambitions of competing for the speakership of the Duma. But now it is increasingly clear that United Russia party

leader Boris Gryzlov will take that position. While Volodin could serve as a deputy speaker, he now apparently wants to realize his political ambitions by becoming governor of Saratov Oblast. In preparation for such a race, he is apparently working with Maltsev to attack Ayatskov in order to weaken his position.

Maltsev also ran for the Duma, but came in fourth place in his district. His only campaign slogan was "Down with Ayatskov," which scored him 32,000 votes. He is worried that the upcoming campaign to elect Putin as Russian president will also benefit Ayatskov, who loyally used his resources to ensure that United Russia candidates won in the State Duma campaign. Ayatskov naturally expects the president to return the favor.

Initially, Ayatskov's camp ignored Maltsev's actions. More recently, however, the governor's team has gone on the attack, apparently sponsoring a number of efforts to discredit his opponent. - Ilya Malyakin in Saratov

2003 STATE DUMA ELECTIONS

ENVOY BLOCKS PROCURATOR SUIT AGAINST BIASED MEDIA. In Pskov's District 141, the pro-Kremlin United Russia candidate A. Sigutkin won with strong support from Governor Yevgenii Mikhailov, defeating incumbent Mikhail Kuznetsov, who had run with the governor's backing in 1999, but then came into conflict with him. While the process of counting the votes in the elections was honest, one cannot call these elections democratic.

The government media strongly supported Sigutkin. At the request of Kuznetsov, the oblast procurator opened a criminal case against the chairman of the Pskov State Television and Radio Committee P. Kotov. However, when the newly appointed presidential envoy to the northwest federal okrug Ilya Klebanov visited the oblast, the case was closed.

During a closed meeting with several representatives of the pro-governor media, Klebanov apparently calmed Kotov, saying "we will explain the situation (*ukazhem*) to the procurator, and the court," the information agency Regnum reported.

Additionally, the governor used his resources on 5 December, when the media published a declaration to Pskov Oblast residents from Deputy Governor D. Shakhov pointing out that both Governor Mikhailov and Pskov Mayor M. Khoronen backed Sigutkin's candidacy.

The consequence of this election for the oblast is that there is no longer any possibility for an opposition to emerge. There is no leader, information, financial support, or political structure which could try to change the situation. Under current conditions, change is only possible if the Kremlin decided that it wanted to see a different leader in Pskov. There is no reason to expect this will happen. - Andrei Scherkin in Pskov

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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

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

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