

ALL SIDES CLAIM VICTORY IN 1996 GUBERNATORIAL ELECTIONS

Although they did not receive nearly as much international attention as the July presidential election, the 48 Russian regional elections held between 1 September and 5 January were closely watched by Russian politicians and commentators. Gubernatorial elections were held in 45 oblasts, krajs, and autonomous okrugs, forcing leaders appointed by President Boris Yeltsin to face the voters. Three ethnic republics also elected top executives. Both the Kremlin and opposition leaders have portrayed the elections as a success, but many new governors have pledged to use their mandates to benefit their own regions, and it is difficult to predict where their primary loyalties will lie.

Who are the new governors?

Of the 48 incumbent regional leaders who faced elections in 1996, 20 held on to their jobs and 24 were defeated. Another three continue to serve pending repeat elections in their regions, and Tyumen Governor Leonid Roketskii will contest a runoff on 12 January. (A complete list of election results is attached to this issue of the *Russian Regional Report*.)

Fifteen of the 24 new governors were elected mainly with the backing of the Communist Party of the Russian Federation (KPRF) and its left-wing umbrella movement, the Popular-Patriotic Union of Russia (NPSR).

Of the successful Communist-backed candidates, seven were chairmen of regional or local legislatures immediately before being elected governor (Krasnodar and Altai krajs and Voronezh, Volgograd, Kaluga, Vladimir, and Kurgan oblasts). Four others were State Duma deputies (Kirov, Bryansk, and Chelyabinsk oblasts and Stavropol Krai), and one (Ryazan) worked in the parliament's Audit Chamber. Two of the Duma deputies were former regional leaders who had been fired by President Yeltsin: Yurii Lodkin was elected governor of Bryansk in 1993 but removed after supporting the Supreme Soviet in its showdown with Yeltsin. Petr Sumin was removed as head of Chelyabinsk Oblast soon after the August 1991 coup.

The second-largest group of new governors can be described as "strong managers." They won six races, in Leningrad, Kaliningrad, and Magadan oblasts, as well as Ust-Orda Buryat, Nenets, and Koryak autonomous okrugs. These candidates ran as independents, usually with strong support in the business community; some were themselves successful entrepreneurs. The strong managers campaigned on economic issues and are likely to support Yeltsin on most political matters. Several of them were backed by longtime Yeltsin ally Vladimir Shumeiko and his Reforms-New Course movement. Furthermore, *Segodnya* reported on 26 December that the Kremlin secretly offered support to the "strong managers," in part because their prospects for election were good, and in part because the incumbents had been appointed under past chiefs of staff, while the team of Presidential Chief of Staff Anatolii Chubais wanted "its own" governors.

Two new governors drew most of their support from backers of former Security Council Secretary Aleksandr Lebed. Lebed's younger brother Aleksei was elected prime minister of the Republic of Khakasiya. Although he claimed he won the race based on his own record as a State Duma deputy from the republic, he made the most of his brother's

popularity. The elder Lebed campaigned in the republic, telling voters that "Khakasiya must be raised from its knees." Meanwhile, Yurii Yevdokimov won in Murmansk as the nominee of Lebed's Honor and Motherland movement. Yevdokimov's biography was similar to that of Communist candidates in several other regions--he had headed the Murmansk soviet before it was dissolved in 1993--but he downplayed that part of his experience. According to the local newspaper *Murmanskii vestnik*, Yevdokimov's election platform began with the words, "I am far from the same person I was three years ago." Yevdokimov's posture was logical, given that in the first round of the presidential election, Lebed gained 25% of the vote in Murmansk, while Communist candidate Gennadii Zyuganov won just 12%.

Finally, a 33-year-old Duma deputy from Vladimir Zhirinovskiy's Liberal Democratic Party of Russia (LDPR) was elected governor of Pskov Oblast, traditionally a bastion of support for Zhirinovskiy. Mikhailov also had the backing of local Communists in the Pskov runoff.

Election patterns

Although no rules held true for all 48 elections, several patterns can be discerned.

1. Although in most regions the leading contenders were from the "party of power" and the left-wing opposition, the races were not red-vs.-white battles. During Yeltsin's presidential campaign, his supporters had warned that a Communist victory would lead Russia directly to civil war, famine, and repression. But warnings of a "red revanche" were not a potent weapon in the regional races, and few incumbents played the anti-Communist card. Moreover, successful Communist-backed candidates were quickly invited to consultations with Kremlin officials, and most quickly "found a common language" with the federal authorities.

2. Not surprisingly, candidates nominated by the KPRF or its left-wing allies did better in poorer regions, where opposition sentiment had traditionally been strong. Where Zyuganov outpolled Yeltsin by a wide margin in the July 1996 presidential race, candidates representing the left opposition almost always won (Bryansk, Voronezh, Kursk, and Kaluga oblasts, Stavropol and Altai kraises, and the Marii-El Republic). A notable exception was Ulyanovsk, but there the incumbent Yurii Goryachev had maintained price controls on basic foodstuffs and implemented other policies that appealed to the left-leaning electorate.

3. Similarly, sitting governors did better in wealthier regions, where Yeltsin had also polled well in the presidential race. When incumbents in the more prosperous regions lost, it was to "strong managers," not left opposition candidates. The results of the elections in autonomous okrugs, several of which are resource-rich, illustrate this trend: incumbents won in five okrugs (Yamal-Nenets, Khanty-Mansi, Komi-Permyak, Chukotka, and Taimyr) and lost to "strong managers" in three (Ust-Orda Buryat, Koryak, and Nenets). The incumbent also won in Samara Oblast; like Khanty-Mansi and Yamal-Nenets, Samara is one of Russia's 10 "donor regions," so called because they contribute more to the federal budget than they receive from Moscow.

4. Electoral laws, which vary widely among Russian regions, also affected the outcomes, and incumbents tended to do better in regions where the law required only that the winner gain a plurality of votes,

rather than 50% plus one. Incumbent governors were elected with less than half of the vote in Sakhalin (40%), Chita (31%), and Ulyanovsk (42%), all regions with a single-round electoral system.

By contrast, incumbents often ran into trouble in regions where a runoff election was required if no candidate gained 50% in the first round, as opposition groups coalesced around the challenger. Five sitting governors lost runoff elections despite having led in the first round: they included incumbents in Kaliningrad (who gained 31% in the first round), Volgograd (37%), Pskov (31%), Murmansk (32%), and Nenets Autonomous Okrug (43%). In a relatively crowded field, governors were often able to gain more votes than any other candidate, but the advantages of incumbency were not always enough to deliver victory against one challenger representing the united opposition.

5. Contrary to the expectations of some in the Yeltsin camp, relatively recent presidential appointees did not do better than governors who had served for a long time. In early 1996, Yeltsin replaced many governors, in part because their chances for re-election were considered slim. After Saratov Governor Dmitrii Ayatskov, appointed in the spring, easily won the September election in Saratov, the administration replaced a few more governors in regions considered to be part of the "red belt." However, of the 14 governors who were appointed less than a year before they faced the voters, six held on to their jobs and seven lost (the Amur election was annulled). Of the 32 governors who had served for more than a year--many of them since autumn 1991--14 incumbents won and 17 lost (the Tyumen outcome is pending). Nevertheless, the administration's "cadre" strategy may have prevented a few opposition victories, since most of the new appointees were in traditional opposition strongholds.

6. Media coverage appears not to have been a decisive factor in the elections, although virtually everywhere the local media was dominated by supporters of the incumbent. Moscow-based television networks also helped incumbents facing especially tough races with election-eve news reports discrediting the challenger or portraying the incumbent in a favorable light. Still, many incumbents lost despite support from the two main state-controlled broadcasters, Russian Public TV (ORT) and Russian TV (RTR), and the leading private network, NTV.

7. Most losing governors stepped down gracefully, and attempts by incumbents to avoid the voters' judgment usually failed. The governor of Koryak Autonomous Okrug declared emergency rule after losing a November election, but he was forced to step down. Similarly, a court in the Marii-El Republic overturned a decree issued by the republic's president, Vladislav Zotin, who tried to cancel the election two days before polls were scheduled to open. Despite repeated appeals on local television by Zotin's supporters, who advised voters not to participate in the 22 December race, turnout was high at about 67% (twice as high as for legislative elections in Marii-El in October), and Zotin was trounced. Krasnodar Governor Nikolai Yegorov tried to use regional courts to postpone a repeat gubernatorial election in December when it became apparent that he would lose, but his court appeals were all rebuffed, and he eventually lost by a huge margin.

However, in Kemerovo Oblast, the incumbent appears to have manipulated the system to stave off an opposition victory. In October, the Kemerovo gubernatorial election planned for December was postponed until sometime in 1997, allegedly because the region lacked an electoral

law. The absence of such legislation did not concern the authorities when the vote was first scheduled, and cynics noted that incumbent Mikhail Kislyuk almost certainly would have lost; the region recently has seen strike actions by Kuzbass coal miners. In addition, the 22 September Amur election was annulled by a controversial court decision after the Communist-backed candidate won by just 189 votes. The opposition has complained that the incumbent only used allegations of voting irregularities in order to stay in power.

Still, the gubernatorial elections were mostly held on time, and the results were accepted in almost all cases, indicating that basic democratic procedures are taking root in Russia. Politicians on both sides of Russia's major political divide found reasons to declare the 1996 regional elections a success: the Kremlin boasted that most of the new governors were willing to cooperate with the "party of power," while the opposition noted that the majority of sitting governors lost.

Competing claims to victory

Whereas some Yeltsin allies had predicted in September that no more than five to 10 incumbents would lose, 24 were defeated--an apparently poor outcome. However, officials in the presidential administration saw things differently. Throughout the election season, First Deputy Presidential Chief of Staff Aleksandr Kazakov was the Kremlin's top spin doctor, explaining at his regular Monday press conferences why the latest results were good news. Kazakov downplayed the setbacks for incumbents, although he admitted that Yeltsin's protracted illness and the worsening economic situation had led to more protest votes than initially expected. Sergei Samoilov, head of the administration's territorial department, told *Segodnya* in an interview published on 27 December that when the regional elections were scheduled, the Kremlin was expecting an economic upturn during autumn 1996, and did not anticipate the deepening problem of wage and pension arrears.

On 23 December, Kazakov characterized 35 of the elected governors as "professionals" and expressed concern about only eight new governors, whom he did not name. Deputy Prime Minister Vladimir Babichev, a leading figure in the pro-government bloc Our Home Is Russia, echoed Kazakov's upbeat assessment. He told ITAR-TASS on 25 December that 35 regions had elected "reformers." As for the other eight governors, Babichev said, "they will be unable to do anything without cooperation with the authorities."

For his part, Yeltsin announced on 25 December that he would "respect the choice of Russians" and cooperate with all elected governors. The most important outcome of the elections, he said, was that for the first time in history, the Russian people had chosen their own leaders. Yeltsin failed to mention that he had long resisted giving up the power to hire and fire governors; his administration sought to delay the regional elections several times since they were first proposed in late 1991 (see *OMRI Russian Regional Report*, 28 August 1996).

Meanwhile, supporters of Communist Party leader Gennadii Zyuganov have depicted the election results as a popular vote of no confidence in Yeltsin's policies. By their count, the tally stands at about 25 to 20 in favor of the opposition. (About a dozen governors are claimed by both

the Kremlin and the Communists as tacit supporters, including all the "strong managers.") Zyuganov has argued that the left-wing Popular-Patriotic Union of Russia (NPSR) elected more governors than expected, despite the machinations of the "party of power," and strengthened the opposition's organization in other regions.

Since the new governors will automatically take up seats in the Federation Council, or upper house of parliament, Zyuganov has been optimistic about the prospects for passing laws and constitutional amendments supported by the opposition. Currently, the Federation Council often blocks legislation passed by the State Duma, or lower house, where left-wing deputies have a working majority. In addition, the pro-Communist *Sovetskaya Rossiya* predicted on 26 December that the opposition governors will implement a "new economic policy" that will eventually become a "locomotive" leading to Russia's revival.

Implications

Despite their public statements, both the Kremlin and the opposition have reason to be concerned about the election results. Zyuganov's problems are more serious: past experience has shown that it is extremely difficult for the opposition to hang on to governors elected under its banner. Vitalii Mukha was considered a "red governor" when he was elected in Novosibirsk in December 1995, but he soon rejected the Communist label. Federation Council Speaker Yegor Stroeve, who himself was considered sympathetic to the opposition when he was elected in Orel in 1993, told ORT on 23 December that all governors become moderate when they enter the Federation Council, "no matter what color they were at the time of the election." He added, "It's impossible to build communism in one region, I can say this from my own experience." Already this year, many opposition candidates have backed away from the left bloc immediately after being elected. Former Vice President and October 1993 White House defender Aleksandr Rutskoi suspended his membership in the NPSR after his election in Kursk. He also had a cordial meeting with Presidential Chief of Staff Anatolii Chubais, who is despised in the opposition camp.

Furthermore, since gubernatorial candidates representing the left-wing opposition were elected primarily in poor regions, they will be forced to cooperate with Moscow, which still holds the purse strings. Consequently, the balance of power in the Federation Council will not change significantly, certainly not enough to give the opposition the three-fourths majority it would need to pass constitutional amendments.

Yet the new landscape has pitfalls for the Kremlin as well. Elected governors cannot be removed by presidential decree, and thus owe less allegiance to Yeltsin than their predecessors. Even governors elected with the full support of the administration may not remain loyal in the future. With this possibility in mind, Kazakov admitted in an uncharacteristically frank interview with Reuters on 4 November that after the elections, governors "will not be controlled by the president, government, local legislatures, or anyone at all. I try hard to find a single positive element in the very idea of these elections and I can't." Some in the presidential administration have called for passing a law to establish procedures by which federal authorities could remove elected officials in the regions, but such a law would never be passed by the Federation Council.

Given the acute social and economic problems faced across Russia, relations between the federal and regional authorities are likely to be more strained in the coming year, and the Federation Council may become more assertive. The "strong managers" and at least 10 of the incumbents re-elected in 1996 can now be considered a "third force" in the Council, led by Moscow Mayor Yurii Luzhkov, *Segodnya* analysts Gleb Cherkasov and Vladimir Shpak wrote on 26 December. If they band together to oppose certain economic policies, the "third force" could cause far more problems for the government and administration than the Communist governors. Aware of this possibility, Deputy Prime Minister Babichev has promised that cabinet ministers will be more responsive to governors in the coming year. Prime Minister Viktor Chernomyrdin will meet with two or three governors per week and with the entire Federation Council every three months, Babichev said. In addition, Chubais and Chernomyrdin may make some policy concessions to the governors, such as lowering energy prices and the Central Bank's interest rates, according to the 25 December edition of *Kommersant-Daily*.

Khabarovsk Krai Governor Viktor Ishaev spoke for many regional leaders when he chose the following slogan for his successful campaign: "I need a mandate of popular trust in order to speak with Moscow on equal terms." Although the elected governors are likely to cooperate with Moscow more often than not, they will also be more emboldened to stand up for regional interests than their predecessors, who could be removed with a stroke of Yeltsin's pen. -- Laura Belin

ELECTION SCHEDULE FOR EARLY 1997

12 January Tyumen Oblast Governor (second round)
Adygeya Republic President
Kabardino-Balkariya Republic President

27 January Chechnya President and Parliament

2 February Agin Buryat Autonomous Okrug Governor (the 27 October election was invalid since neither of the two contestants received 50% of the vote)

9 February State Duma by-election in Tula (for seat formerly held by Aleksandr Lebed)

16 March Tyva Republic President

23 March Amur Oblast Governor (the 22 September election results were annulled due to alleged falsifications)
Tula Oblast Governor

April Krasnoyarsk Krai Governor (due to expiration of elected governor's term)

April Orel Oblast Governor (due to expiration of elected governor's term)

dates unspecified

Kemerovo Oblast Governor
Evenk Autonomous Okrug (if court upholds the annulment of
the 22 December election)

REGIONAL ELECTIONS UPDATE

TYUMEN ELECTION HELD, BUT OKRUG FOLLOWS THROUGH ON BOYCOTT THREAT. Neither presidential decrees nor visits from Kremlin emissaries deterred Yamal-Nenets Autonomous Okrug from boycotting the 22 December gubernatorial election in Tyumen Oblast. Gas-rich Yamal-Nenets and oil-rich Khanty-Mansi Autonomous Okrug are federation subjects but are also part of the territory of Tyumen. Both okrugs initially refused to participate in the Tyumen election, although Khanty-Mansi later relented. Shortly before the election, First Deputy Presidential Chief of Staff Aleksandr Kazakov and Gazprom chairman Rem Vyakhirev addressed the Yamal-Nenets legislature, but the deputies refused to budge, ORT reported on 18 December. Kazakov called their action a "serious challenge" to Russia's political structure.

Although Khanty-Mansi allowed its residents to vote in the first round of the Tyumen race, the okrug's participation in the runoff election set for 12 January remains uncertain. Turnout in Khanty-Mansi was only about 15% for the first round, well below the 25% required for a valid election, according to okrug law. The deputy head of the Khanty-Mansi electoral commission, Lyubov Chistova, told ITAR-TASS on 27 December that the okrug law would have to be amended (reducing the turnout requirement) before they could consider holding the second round of the election on Khanty-Mansi territory. She added that by not voting in the first round, Khanty-Mansi citizens had demonstrated that "they do not need a second governor." Khanty-Mansi and Yamal-Nenets both re-elected their governors in October. Incumbent Leonid Roketskii, the favorite candidate of local industrial and financial groups, will face Sergei Atroshenko in the Tyumen runoff. -- Laura Belin

CANDIDATE CHALLENGES CANCELLATION OF EVENK ELECTION. Aleksandr Bokovikov, a gubernatorial candidate in Evenk Autonomous Okrug and the chairman of the okrug legislature, on 31 December filed a lawsuit against the okrug electoral commission, Central Electoral Commission spokesman Yurii Chugunov told OMRI. According to preliminary results of the 22 December race, Bokovikov won the election by a margin of fewer than 100 votes, but according to the final tally, the incumbent Anatolii Yakimov led by about 550 votes. Later on, the okrug electoral commission annulled the election results, citing some voting irregularities. Evenk Autonomous Okrug is the size of France in area, but due to the inhospitable Siberian climate, the okrug's population is only 20,800. There are about 12,400 eligible voters in the okrug. The 22 September gubernatorial election in Amur Oblast was annulled under similar circumstances, after results indicated that opposition candidate Anatolii Belonogov defeated the incumbent, Yurii Lyashko, by just 189 votes. The Russian Supreme Court ruled that the Amur election should be annulled and repeated sometime in 1997. -- Anna Paretskaya in Moscow

LOW TURNOUT WRECKS CITY ELECTION IN VLADIVOSTOK. The controversial election to the Vladivostok city Duma was declared invalid after just 9% of eligible voters turned out on 22 December. The elections were set by

Konstantin Tolstoshein, the former mayor of Vladivostok and a supporter of Primorskii Krai Governor Yevgenii Nazdratenko. Viktor Cherepkov, who was elected mayor in 1993 but forced to leave office the following year under pressure from Nazdratenko, succeeded Tolstoshein after both a Moscow court and a presidential decree restored his right to serve as the city's mayor (see *OMRI Daily Digest*, 25 and 27 September, 1 and 3 October, and 7 November 1996). Fearing that the city Duma would be packed with supporters of Tolstoshein, Cherepkov sought to cancel the 22 December election on the grounds that Tolstoshein had no authority to set elections. After a local court backed his opponents, Cherepkov went to Moscow and returned on 18 December with the news that "representatives of the Procurator-General's Office, the Central Electoral Commission, and the presidential administration" all supported him, according to *Kommersant-Daily* on 20 December. (Cherepkov has good relations with Presidential Chief of Staff Anatolii Chubais, who is known to dislike Nazdratenko.) The mayor then addressed Vladivostok residents by radio and sent around a free newspaper explaining his position, and the low turnout--also influenced by freezing weather--indicates substantial support for him.

Elsewhere in Primorskii Krai, local self-government elections generally were held successfully on 22 December, with an average turnout of about 30%, Russian media reported. The left-wing opposition significantly strengthened its position in many localities, according to the newspaper *Rybak Primorya* on 27 December. However, the town of Arsenev failed to elect a mayor when more voters cast more ballots "against all candidates" than for any of the contenders. -- Nikolai Iakoubovski

VOLGOGRAD INCUMBENT LOSES AFTER WAGING DIVISIVE CAMPAIGN. At first glance, the victory of Nikolai Maksyuta in the 29 December runoff election in Volgograd by a margin of 51% to 44% was surprising. The Communist chairman of the Volgograd city legislature had trailed incumbent Ivan Shabunin in the first round by 28.5% to 37.6%, and Volgograd Mayor Yurii Chekhov, the favorite candidate of local "democrats," had finished a close third with 26%. NTV blamed bitter cold and windy weather, noting that turnout in the runoff was only about 46%, down from 60% in the first round. However, the campaign waged by the incumbent may have also contributed to the low second round turnout. *Izvestiya* reported on 20 December that Shabunin had hired a local affiliate of the political consulting firm Niccolo M. Apparently afraid that Shabunin would lose a second-round contest against Chekhov, the firm's employees conducted a smear campaign against the Volgograd mayor. For instance, false rumors that Chekhov was unwell were circulated while detractors denounced him as a "new Russian" surrounded by "persons with a criminal past." The campaign may have deterred Chekhov's supporters from voting for Shabunin. -- Laura Belin

ULYANOVSK INCUMBENT WINS ELECTION, RAISES PRICES. At the beginning of 1997, less than 10 days after he was re-elected, Ulyanovsk Governor Yurii Goryachev lifted price controls on basic foodstuffs, causing prices for bread, milk, meat, and eggs to jump, *Izvestiya* reported on 5 January. Detractors have long accused Goryachev of making Ulyanovsk "a sanctuary of communism," and he was one of very few incumbents denied

the backing of the All-Russian Coordinating Council of pro-Yeltsin groups. Goryachev aggressively courted the leftist electorate in his campaign, boasting that he had kept prices in the oblast among the lowest in Russia. In fact, in a locally televised debate between a representative of Goryachev and the governor's main rival, oblast Communist leader Aleksandr Kruglikov, Goryachev's representative boasted that the governor was more of a communist than Kruglikov, NTV reported on 20 December. Zyuganov carried Ulyanovsk in the presidential election by a margin of 56% to just 38% for Yeltsin. -- Laura Belin

KRASNODAR VOTERS OUST ABSENTEE GOVERNOR. Nikolai Yegorov, the former presidential chief of staff who was appointed governor of Krasnodar Krai in July, has earned the dubious distinction of becoming the incumbent to lose by the largest margin, winning 4.8% of the vote to about 82% for Nikolai Kondratenko on 22 December. Yegorov would have lost on 27 October, when Kondratenko outpolled him by 57% to 25%, but that election was annulled on the ground that turnout was below 50%. The legislature lowered the minimum turnout level to 25%, and the krai electoral commission set a new election date.

Sensing imminent defeat, Yegorov attempted to postpone the vote by filing suit against the krai legislature and electoral commission. He also refused to allocate money for the new election from the krai budget, and was rarely seen in the krai during the 50 days before the repeat election, according to NTV on 21 December. Yegorov was rumored to be in Moscow, angling for a new appointment (see *OMRI Russian Regional Report*, 18 December 1996). However, Yegorov's court appeals were rejected, and despite heavy snowfall in Krasnodar, turnout on 22 December was above 48%, up from 43% in October. -- Laura Belin

AGRARIANS FAIL TO DELIVER VICTORY TO SELECT INCUMBENTS. Even though the Agrarian Party of Russia (APR) is a prominent member the left-wing Popular-Patriotic Union of Russia, its leaders tried to chart a somewhat independent course in the regional elections. APR chairman Mikhail Lapshin promised that his party would not endorse Communist Party (KPRF) candidates "blindly" and would give top priority to the interests of rural dwellers (see *OMRI Russian Regional Report*, 2 October 1996). However, incumbents supported by the Agrarians lost to Communist-backed challengers in December elections in Ryazan and Volgograd. Moreover, in October an APR candidate in Stavropol finished far behind both the incumbent and the eventual winner of that race, a Communist Duma deputy. As a result, rather than establishing its clout within the left-wing opposition, the APR again demonstrated that it is not able to mobilize enough voters to swing an election. In the 1995 parliamentary election, the APR won just 4% of the vote nationwide, compared to about 22% for the KPRF. -- Laura Belin

PROVINCIAL CHRONICLES

BIROBIDZHAN LEGISLATOR WANTS CHANGES IN BORDER TREATY WITH CHINA. Reflecting the views of many local politicians in the Russian Far East, the chairman of the legislative assembly of the Jewish Autonomous Oblast (Birobidzhan), Stanislav Vavilov, told *Pravda-5* on 25 December that the 1991 Soviet-Chinese border agreement is flawed, and must be amended.

Vavilov said the provisions of the treaty governing the demarcation of the border along the main channel of the Amur River are inexact and should be renegotiated to protect Russian interests. He claimed that China is using underground explosions to alter the river's flow and gain control of most of the river's channel by shifting the border, as defined under the treaty, toward the Russian bank. As a result, he claimed Russia might be left with no access to the navigable channel of the river and said China would gain exclusive control of valuable fishing resources. He contended that although local officials had informed the Russian Foreign Ministry and President Yeltsin of the problem, they had not taken adequate action to address it. Meanwhile, Radio Rossii reported on 6 January that President Yeltsin has instructed Primorskii Krai Governor Yevgenii Nazdratenko, a vocal critic of the 1991 treaty, to clear any public statements on it with the Russian Foreign Ministry. -- Scott Parrish

KARELIYA, ST. PETERSBURG OFFICIALS CRITICIZE NEW BORDER TAX. Kareliyan Minister of External Ties Valerii Shlyamin said that the new border crossing fees provided for by recent amendments to federal border legislation (see *OMRI Daily Digest*, 12 and 17 December 1997), will seriously injure the economy of Kareliya, ITAR-TASS reported on 25 December. Forestry is Kareliya's leading industrial sector, and the republic exports about 1.5 million cubic meters of lumber annually to neighboring Finland, according to Shlyamin. He estimated that the new border crossing fee will increase the cost of Kareliyan timber to Finnish purchasers by about \$10 per/cubic meter, or \$15 million annually at the current rate of exports. He said such a drastic cost increase would dramatically depress Finnish demand for Kareliyan lumber and render timber exports "impossible," threatening many local timber enterprises with bankruptcy, since exports are their only reliable source of income. He appealed for the repeal of the new fees. In a letter to *Izvestiya* on 21 December, St. Petersburg Governor Vladimir Yakovlev also denounced the new border fee, which he said was an example of federal policies being set without adequate consultations with interested regional leaders. However, the Federation Council, of which Yakovlev is a member, itself passed the amendments authorizing the crossing fee on 14 November. -- Scott Parrish

Compiled by Laura Belin

Preliminary Regional Executive Elections Results for Fall 1996 Results for Major Candidates

Key

* - incumbent

Incumbent - incumbent won

strong manager - non-incumbent winner who campaigned as an independent and generally supports Yeltsin

NPSR - winner backed by left-wing Popular-Patriotic Union of Russia, usually nominated by Communist Party of the Russian Federation

LDPR - winner backed by Liberal Democratic Party of Russia

Lebed - winner backed by Aleksandr Lebed

Note: party labels listed correspond to the candidate's primary affiliation. In some regions, several opposition groups backed a single candidate, and some NPSR candidates (such as the winner in Chelyabinsk) were also backed by Lebed. In addition, the NPSR backed strong managers in some regions (such as Leningrad and Magadan) where it did not field a viable candidate. Where available, turnout figures are included.

1 September

Saratov Oblast
*Dmitrii Ayatskov 81%
Anatolii Gordeev 16%
turnout 60%
Incumbent

22 September

Amur Oblast
*Yurii Lyashko 42%
Anatolii Belonogov 42%
turnout 36%
apparent NPSR victory overturned - new election to be held in 1997

29 September

Leningrad Oblast
*Aleksandr Belyakov 32%
Vadim Gustov 53%
turnout 34%
strong manager

Rostov Oblast
*Vladimir Chub 62%
Leonid Ivanchenko 32%
turnout 42%
Incumbent

6 October

Vologda Oblast
*Vyacheslav Pozgalev 80%
Mikhail Surov 4%
turnout 45%
Incumbent

Kaliningrad Oblast
*Yurii Matochkin 31%
Leonid Gorbenko 22%
turnout 44%
runoff needed

Kirov Oblast
*Vasilii Desyatnikov 17.5%

Vladimir Sergeenkov 40%
Gennadii Stin 31%
turnout 50%
runoff needed; incumbent eliminated

13 October

Yamal-Nenets Autonomous Okrug
*Yurii Neelov 68%
Vladimir Goman 17%
turnout 49%
Incumbent

20 October

Kursk Oblast
*Vasilii Shuteev 18%
Aleksandr Rutskoi 79%
turnout 57%
NPSR

Pskov Oblast
*Vladislav Tumanov 31%
Yevgenii Mikhailov 23%
turnout 52%
runoff needed

Sakhalin Oblast
*Igor Farkhutdinov 39%
Leonid Chernii 27%
turnout 33%
Incumbent

Jewish Autonomous Oblast
*Nikolai Volkov 72%
Sergei Leskov 17%
turnout 42%
Incumbent

Kaliningrad Oblast runoff
*Yurii Matochkin 40%
Leonid Gorbenko 50%
turnout 43%
strong manager

Kirov Oblast runoff
Vladimir Sergeenkov 50%
Gennadii Stin 45%
turnout 54%
NPSR

27 October

Krasnodar Krai

*Nikolai Yegorov 25%
Nikolai Kondratenko 57%
turnout 43%
apparent NPSR victory annulled due to low turnout

Stavropol Krai
*Petr Marchenko 38%
Aleksandr Chernogorov 48%
turnout 44%
runoff needed

Chita Oblast
*Ravil Geniatulin 31%
Yaroslav Shvyryaev 23%
turnout 46%
Incumbent

Agin-Buryat Autonomous Okrug
Bolot Ayushev 49%
Yurii Donkov 48%
turnout 58%
neither won 50%; in accordance with local law, race annulled

Khanty-Mansi Autonomous Okrug
*Aleksandr Filippenko 72%
G. Korepanov 9%
turnout 47%
Incumbent

Kaluga Oblast
*Oleg Savchenko 37%
Valerii Sudarenkov 47%
turnout (more than 40%)
runoff needed

3 November

Magadan Oblast
*Viktor Mikhailov 41%
Valentin Tsvetkov 46%
strong manager

Pskov Oblast (second round)
*Vladislav Tumanov 37%
Yevgenii Mikhailov 56%
turnout more than 60%
LDPR

10 November

Kaluga (second round)
*Oleg Savchenko 31%
Valerii Sudarenkov 63%
turnout 41%

NPSR

17 November

Stavropol (second round)
*Petr Marchenko 40%
Aleksandr Chernogorov 55%
turnout 65%
NPSR

Altai Krai
*Lev Korshunov 43%
Aleksandr Surikov 47%
turnout 48%
runoff required

Murmansk Oblast
*Yevgenii Komarov 32%
Yurii Yevdokimov 20%
runoff required

Kamchatka Oblast
*Vladimir Biryukov 48%
Boris Oleinikov 10%
turnout 42%
runoff required

Ust-Orda Buryat Autonomous Okrug
*Aleksei Batagaev 26%
Valerii Maleev 37%
turnout 59%
strong manager

Komi-Permyak AO
*Nikolai Poluyanov 70%
Anatolii Fedoseev 17%
turnout 57%
Incumbent

Koryak Autonomous Okrug
*Sergei Leushkin 25%
Valentina Bronievich 46%
turnout 58%
strong manager

24 November

Kurgan Oblast
*Anatolii Sobolev 13%
Oleg Bogomolov 41%
Anatolii Koltashov 32%
turnout 55%
runoff needed; incumbent out

1 December

Republic of Khakasiya

*Yevgenii Smirnov 8%

Aleksei Lebed 45%

Yevgenii Reznik 19%

turnout 51%

runoff needed, incumbent out

Ivanovo Oblast

*Vladislav Tikhomirov 50%

Sergei Sirotkin 22%

47% turnout

Incumbent

Samara Oblast

*Konstantin Titov 63%

Valentin Romanov 32%

turnout 52%

Incumbent

Nenets Autonomous Okrug

*Vladimir Khabrov 43%

Vladimir Butov 22%

turnout 65%

runoff needed

Altai Krai (second round)

*Lev Korshunov 46%

Aleksandr Surikov 49%

turnout 56%

NPSR

Murmansk (second round)

*Yevgenii Komarov 41%

Yurii Yevdokimov 44%

Lebed

Kamchatka Oblast (second round)

*Vladimir Biryukov 61%

Boris Oleinikov 28%

turnout 34%

Incumbent

8 December

Kurgan Oblast (second round)

Oleg Bogomolov 67%

ran unopposed after other two candidates dropped out

NPSR

Khabarovsk Krai

*Viktor Ishaev 77%

Viktor Tsoi 7%

Incumbent

Bryansk Oblast

*Aleksandr Semernev 26%

Yurii Lodkin 55%

turnout 50%

NPSR

Voronezh Oblast

*Aleksandr Tsapin 41%

Ivan Shabanov 49%

NPSR

Astrakhan Oblast

*Anatolii Guzhvin 52%

Vyacheslav Zvolinskii 39%

Incumbent

Kostroma Oblast

*Valerii Arbuzov 26%

Viktor Shershunov 43%

runoff needed

Ryazan Oblast

*Igor Ivlev 30%

Vyacheslav Lyubimov 38%

runoff needed

Arkhangelsk Oblast

*Anatolii Yefremov 36%

Yurii Guskov 29%

runoff needed

Perm Oblast

*Gennadii Igumnov 41%

Sergei Levitan 30%

runoff needed

Vladimir Oblast

*Yurii Vlasov 22%

Nikolai Vinogradov 63%

NPSR

13 December

Nenets Autonomous Okrug (second round)

*Vladimir Khabarov 39%

Vladimir Butov 49%

strong manager

22 December

Ulyanovsk Oblast

*Yurii Goryachev 43%

Aleksandr Kruglikov 34%
Incumbent

Chelyabinsk Oblast
Petr Sumin 53.92%
*Vadim Solovev 16%
turnout 51%
NPSR

Volgograd Oblast
*Ivan Shabunin 37%
Nikolai Maksyuta 28%
turnout 60.2%
runoff needed

Tyumen Oblast
*Leonid Roketskii 40%
Sergei Atroshenko 25%
runoff needed

Ryazan Oblast (second round)
*Igor Ivlev 38.36%
Vyacheslav Lyubimov 56.06%
NPSR

Krasnodar Krai (repeated election)
*Nikolai Egorov 5%
Nikolai Kondratenko 82%
Viktor Krokhmal 8%
turnout 47%
NPSR

Chukotka Autonomous Okrug
*Aleksandr Nazarov 63%
Vladimir Yetylin 23%
Incumbent

Taimyr Autonomous Okrug
*Gennadii Nedelin 64%
G. Subbotkin 12%
turnout 30%
Incumbent

Evenk Autonomous Okrug
*Anatolii Yakimov 35%
Aleksandr Bokovikov 35%
margin of victory extremely narrow; result annulled

Perm Oblast (second round)
*Gennadii Igumnov 65%
Sergei Levitan 29%
turnout 39%
Incumbent

Kostroma Oblast (second round)

*Valerii Arbuzov 31%

Viktor Shershunov 64%

NPSR

Arkhangelsk Oblast (second round)

*Anatolii Yefremov 58%

Yurii Guskov 33%

Incumbent

Republic of Khakasiya (second round)

Aleksei Lebed 71%

Evgenii Reznikov 19%

Lebed

Republic of Marii-El

*Vladislav Zotin 9.7%

Vyacheslav Kislitsyn 47%

Leonid Markelov 30%

turnout 67%

runoff needed; incumbent out

Republic of Sakha (Yakutiya)

*Mikhail Nikolaev 60%

Artur Alekseev 26%

turnout 64%

Incumbent

29 December

Volgograd Oblast (second round)

*Ivan Shabunin 44%

Nikolai Maksyuta 51%

NPSR

4 January

Republic of Marii-El (second round)

Vyacheslav Kislitsyn 59%

Leonid Markelov (LDPR) 36%

turnoff 63%

NPSR

Tyumen Oblast: second round scheduled for 12 January

CENTER-PERIPHERY RELATIONS

HOW ELECTIONS AFFECTED REGIONAL ASSOCIATIONS

In recent months, the heads of Russia's "donor regions" (those regions which give more to the federal budget than they receive) have met several times to forge a common stance on various economic issues, such as the 1997 budget. The recent regional elections are believed to have strengthened the hand of the 10-15 donor regions, who are informally led by Moscow Mayor Yurii Luzhkov. Along with governors of slightly less well-off areas, the leaders of the donor regions may be able to secure significant concessions from the government in economic policy.

Yet the donors are not the only group of regions that could become more assertive in promoting their bloc interests. All of the 89 Russian Federation subjects except for Chechnya belong to one of eight "inter-regional economic associations," which were set up between 1992 and 1994, based on Soviet-era geographical and economic administrative divisions. First Deputy Prime Minister Viktor Ilyushin attended the most recent meeting of the Siberian Accord group on 14 December, a sign that Moscow does take notice of the associations. The 22-29 December edition of *Moskovskie novosti* examined how the 1996 gubernatorial elections affected these eight associations and argued that relative economic prosperity was reflected in voter behavior.

The **Far East and Baikal Association**, headed by Khabarovsk Krai Governor Viktor Ishaev, consists of the republics of Buryatiya and Sakha (Yakutiya), Primorskii and Khabarovsk krais, Amur, Kamchatka, Magadan, Chita, and Sakhalin oblasts, the Jewish Autonomous Oblast, and Koryak and Chukotka autonomous okrugs. Many of these regions are rich in natural resources: diamonds in Sakha, oil in Sakhalin, fishing in Kamchatka, and timber in Khabarovsk. Incumbents were re-elected in seven regions (Chita, Kamchatka, Sakhalin, Khabarovsk, Jewish Autonomous Oblast, Chukotka, and Sakha). Incumbents in Magadan and Koryak lost to independent rather than left-wing opposition candidates, and both new governors soon professed their desire to cooperate with the federal authorities. (The Amur election was annulled after an apparent opposition victory by a very slim margin.)

The **Siberian Accord Association** includes the republics of Buryatiya, Altai, Khakasiya, along with Altai and Krasnoyarsk krais, Irkutsk, Novosibirsk, Omsk, Tomsk, Tyumen, and Kemerovo oblasts, plus Agin-Buryat, Taimyr, Ust-Orda Buryat, Khanty-Mansi, Yevenk, and Yamal-Nenets autonomous okrugs. Omsk Governor Leonid Polezhaev heads this association. Three of its member regions are donors (Krasnoyarsk, Khanty-Mansi and Yamal-Nenets). Incumbents were re-elected in the resource-rich okrugs of Khanty-Mansi, Yamal-Nenets, and Taimyr; the election in Yevenk was annulled. Independent candidates were elected in Khakasiya and Ust-Orda Buryat okrug, but both soon promised to cooperate with Moscow. The only successful Communist-backed candidate in this group was elected in Altai Krai, one of the poorest regions in Russia.

The **Greater Volga Association** includes the republics of Tatarstan, Mordoviya, Chuvashiya, and Marii-El, as well as Astrakhan, Volgograd, Nizhnii Novgorod, Penza, Samara, Saratov, and Ulyanovsk oblasts. The Volga region as a whole is relatively prosperous; Samara, Tatarstan, and Nizhnii Novgorod are donor regions. Samara Governor Konstantin Titov, who heads this association, was re-elected, as were incumbents in less well-off Saratov, Astrakhan, and Ulyanovsk. However, incumbents lost to Communist-backed candidates in Volgograd and Marii-El, both poorer than their Volga neighbors.

The **Central Russia Association** is formally headed by Yaroslavl Governor Anatolii Lisitsin, but its informal leader is Moscow Mayor Luzhkov. The association includes Bryansk, Vladimir, Ivanovo, Kaluga, Kostroma, Moscow, Ryazan, Smolensk, Tver, Tula, and Yaroslavl oblasts, along with the city of Moscow. Many of these areas have a relatively low level of industrial development and a low standard of living; they are often considered part of the "red belt," where opposition sentiment has traditionally been strong. Of the governors who faced the voters in autumn 1996, only Vladislav Tikhomirov of Ivanovo won; incumbents lost by wide margins to candidates of the left-wing opposition in Bryansk, Vladimir, Kaluga, Kostroma, and Ryazan.

Of the eight regional groupings, the **Association of Cooperation of Republics, Krai, and Oblasts of the Northern Caucasus** has on average the lowest standard of living. It includes predominantly agricultural and mountainous areas: the republics of Adygeya, Dagestan, Ingushetiya, Kabardino-Balkariya, Karachaevo-Cherkesiya, North Osetiya, Kalmykiya, Krasnodar, and Stavropol kraia and Rostov Oblast. There is no permanent leader of this association. Despite the relative poverty of the group, incumbents were re-elected in Rostov, Adygeya, and Kabardino-Balkariya, while governors lost in Stavropol and Krasnodar.

The **Black Earth Association**, headed by Orel Governor and Federation Council Speaker Yegor Stroevev, consists of Voronezh, Belgorod, Kursk, Lipetsk, Orel, and Tambov oblasts. Lipetsk is considered a donor region, and Belgorod is an exporter of iron ore, but the other regions are relatively poor. Candidates of the left-wing opposition won in Voronezh and Kursk, but both subsequently promised to cooperate with federal authorities.

The **Urals Regional Association** is headed by one of Russia's most prominent regional leaders, Sverdlovsk Governor Eduard Rossel. It includes the republics of Bashkortostan and Udmurtiya, Komi-Permyak Autonomous Okrug, and Kurgan, Orenburg, Perm, Sverdlovsk, and Chelyabinsk oblasts. This group is relatively prosperous as a whole; Sverdlovsk and Bashkortostan are both considered donor regions. Incumbents won in Komi-Permyak and Perm but lost in Chelyabinsk and Kurgan.

The **North-West Association** includes the republics of Kareliya and Komi, as well as Arkhangelsk, Vologda, Kaliningrad, Kirov, Leningrad, Murmansk, Novgorod, and Pskov oblasts, Nenets Autonomous Okrug, and St. Petersburg. St. Petersburg Governor Vladimir Yakovlev, who defeated Anatolii Sobchak in a June 1996 election, leads this association. Although the level of industrial development in this group is high, the average standard of living is not, and that was reflected in the election results. With the exception of Arkhangelsk, incumbents lost everywhere elections were held: Kaliningrad, Kirov, Leningrad, Murmansk, Nenets, and Pskov. --Laura Belin

TYUMEN RE-ELECTS ROKETSKII

Tyumen Oblast re-elected Governor Leonid Roketskii for a second term on 12 January. The incumbent received 59% of the vote while his opponent, former banker Sergei Atroshenko who is now the leader of the Tyumen-2000 movement, won 33%. Fifty-six percent of the resident's in the southern part of the oblast participated in the elections, while the Yamal-Nenets and Khanty-Mansi autonomous okrugs boycotted the voting. Overall turnout was therefore about one-quarter of the oblast's electorate, according to ITAR-TASS. Between rounds, the oblast дума changed the electoral law so that the balloting would be valid regardless of what percentage of the electorate actually participated. In the first round, Yamal-Nenets boycotted the voting, while only 13% of the Khanty-Mansi electorate participated. The Khanty-Mansi legislature had ruled that the elections would only be valid if 25% of the population voted and therefore decided not to participate in the second round.

The elections did nothing to reduce the separatist tendencies in the two okrugs and may have increased the legitimacy of the okrugs' demands to become independent of Tyumen Oblast. The leaders of the two autonomous okrugs had been re-elected earlier in the fall and since then have continued to press their demand to secede from the oblast and establish direct ties with Moscow. Now that the Tyumen elections have been held without the okrugs' participation, the separatist leaders can argue that Roketskii is not their governor since their territories did not participate in the process of electing him.

Neither Tyumen nor Moscow is likely to accept these demands, however. Dmitrii Shalabodov, the secretary of the oblast electoral committee, told Russian Public TV (ORT) on 13 January that more than 400 residents from the okrugs traveled to the oblast proper to vote in the elections. First Deputy Chief of Staff Aleksandr Kazakov echoed this point and said that the administration would decide its opinion on the status of the okrugs after a new law currently under consideration is adopted (see story below).

Even beyond the okrugs' separatist ambitions, the electoral campaign between Roketskii and Atroshenko was filled with intrigue. On 10 January, *Izvestiya* published an article explaining the criminal and political links of Atroshenko's bank Tyumenskii Kredit. The paper characterized his entrance into the governor's campaign as an attempt to make secure his ill-gotten gains. At the beginning of the race,

Atroshenko was in last place in a field of seven candidates. Among his campaign stunts was flying an entire plane-load of pensioners to the United Arab Emirates. He also ordered a special edition of NTV's *Kukli*, the popular satirical puppet show, in which the Aleksandr Lebed puppet embraced the Atroshenko puppet. Atroshenko is not concerned with his electoral failure this time since he already has his sights on the gubernatorial election scheduled for the year 2000, the paper noted. -- Robert Orttung

KABARDINO-BALKARIYA ALMOST UNANIMOUS IN SUPPORT OF KOKOV. The president of Kabardino-Balkariya, Valerii Kokov, was re-elected on 12 January with 99.37% of the vote. With 97.53% of the republic's 500,000 voters participating in the elections, turnout was the highest for any region in the last five years throughout the country. This apparent unanimity, however, gives a false impression of harmony and concord in the republic. Recent separatist calls and widespread crime point to a certain level of tension.

On 17 November, a congress of the Balkar people, who make up about 10% of the republic's population, declared their intention to secede from Kabardino-Balkariya and establish an independent Balkar Republic within the Russian Federation. The separatists, headed by Lt.-Gen. (Ret.) Sufyan Beppaev, claimed to be acting in accordance with the federal constitution. However, the republican leadership denounced the separatists' actions and brought them in for discussion. Ten days later, Beppaev distanced himself from the congress's declaration of independence saying it was emotional and not well thought out. Some suggested that he pulled back after being offered a position in the republican government. However, the case is still under investigation in the republican General Procurator's Office.

Political instability in Russia in general and especially near its borders (Kabardino-Balkariya is located close to many Caucasian conflict areas: Chechnya, North Osetiya, Ingushetiya, Georgia, and Abkhaziya) intensifies the ethnic conflicts within the republic itself. According to the republican Federal Security Service (FSB), Chechen guerrillas, despite the end of military activities in Chechnya, continue attacking Kabardino-Balkariya and taking hostages. Moreover, FSB officials reported that during 1996 they seized 16 pieces of artillery, more than 11,000 cartridges, 25 grenades, and about 200 other explosives, *Nezavisimaya gazeta* reported on 11 January. Ten Chechen separatists suspected of financing the Chechen militants were arrested in the republic's capital, Nalchik. Several days before the presidential race, a bomb ripped through the basement of the republican parliament building. Though officials claim the explosion was not politically motivated, it surely affected the republic's political stability.

Additionally, regional FSB officials are concerned with the republic's own criminals. They say that businessmen involved in illegal deals actively try to place their own people into legislative and executive institutions. Corrupt law-enforcement organizations make it easy to launder money and smuggle precious and non-ferrous metals out of the republic. -- Anna Paretskaya in Moscow

NUMEROUS VIOLATIONS MAR PRESIDENTIAL ELECTIONS IN ADYGEYA AND KABARDINO-BALKARIYA. Although the electoral commissions of the republics of Adygeya and Kabardino-Balkariya have approved the 12 January presidential elections results, the voting seriously violated several aspects of the Russian Federation Constitution and federal legislation. Though the Central Electoral Commission (TsIK) has not contested the results yet, individual candidates may challenge the legitimacy of the elections and their results in court.

Two unsuccessful presidential hopefuls in the Adygeyan election, Valentin Lednev and Askarbii Adzhagireev, have already declared their intention to file lawsuits against the republican electoral commission which refused to register them for the race even though they had collected the required number of signatures. Lednev was rejected by the commission because he did not speak the Adygeyan language, which, along with Russian, is the republic's official language, and had not been living in Adygeya for the last 10 years, as required by law.

During the campaign, the TsIK pointed out to the republican commission and the republican supreme court, which had approved the commission's decision not to register the candidates, that declining candidates on grounds of their illiteracy in a national language or their lack of long-term residency was illegal under the law of the Russian Federation. Neither took the warning into account.

Lednev and Adzhagireev may win their cases if they are persistent. There already have been similar precedents during the 1996 electoral marathon. Aleksandr Rutskoï, the former Russian vice president, and Aleksei Lebed, Duma deputy and younger brother of former Security Council Secretary Aleksandr Lebed, have won analogous lawsuits. The Russian Federation Supreme Court ordered that they be registered for elections in Kursk Oblast and the Republic of Khakasiya, respectively, after regional electoral commissions had rejected them since they did not meet residency requirements. They both went on to win by large margins.

The Kabardino-Balkariya election apparently violates federal law because Kokov won his race unopposed. In contrast to federal legislation, the Kabardino-Balkariyan law does not have a provision prohibiting a candidate from running alone. Tatarstan President Mintimer Shaimiev and Kalmykiyan President Kirsan Ilyumzhinov were also reelected in single-candidate elections in late 1995 and early 1996, respectively. In those cases the TsIK did not take any action beyond criticizing the balloting. Lately, however, the TsIK has taken a more activist approach against regions whose laws fail to comply with federal standards. Last week, the TsIK was advocating, though unsuccessfully, cancellation of the run-off results in Kurgan Oblast, where the opposition-backed candidate was left alone in the second round after his rivals withdrew from the race (see *OMRI Daily Digest*, 10 January 1996). Most likely, however, the TsIK will try to apply federal law most forcefully in cases where anti-Yeltsin candidates win, as in Kurgan, and probably will not pick a fight in Kabardino-Balkariya. -- Anna Paretskaya in Moscow

COMMUNIST LEVELS WIDE-RANGING FRAUD ACCUSATIONS. State Duma deputy Aleksandr Saliï, the first secretary of the Communist Party branch in Tatarstan, told *Pravda-5* on 14 January that the authorities have used fraud to keep incumbent governors in power in strategically important regions. Saliï led an opposition delegation that investigated the results of the 29 September election in Rostov Oblast. According to official results, Governor Vladimir Chub defeated Communist Duma deputy Aleksandr Ivanchenko by a margin of 62% to 32%, but Saliï said the evidence of fraud collected filled 20 pages. He claimed 128 witnesses were willing to testify about the irregularities. Court hearings have begun, but no ruling has been handed down.

Asked why the authorities would go to great lengths to falsify elections in some regions but let other incumbents lose to Communist-backed challengers without a struggle, Saliï suggested that a strategy had been worked out "in certain Russian and American centers": power would be handed to the opposition in some areas, but regions rich in raw materials or containing important ports (such as Arkhangelsk, Astrakhan, and Rostov) would remain in the camp of the "party of power." He called for the opposition to change Russian law to establish more scrutiny over vote-counting procedures in future elections. However, Saliï regretfully expressed doubt that the current Communist Party leadership was up to the task: "Excuse me, but at times the impression arises that the 'united opposition' is more concerned about how to help this regime hold on than how to remove it." -- Laura Belin

KRASNOYARSK GOVERNOR MAY BE OUSTED FROM OFFICE. An initiative group has submitted 26,000 signatures to the Krasnoyarsk Krai Electoral Commission in support of holding a referendum on pre-term gubernatorial elections, *Rabochaya tribuna* reported on 14 January. If the commission declares the signatures valid, the regional legislative assembly will have to call the referendum. Valerii Zubov, who is also a Federation Council deputy chairman, was elected governor in March 1993 with 75% of the vote in the second round. He is among the first regional executives to win power through a popular vote. If the referendum is called, he will be the first governor to face the possibility of being recalled from office. -- Anna Paretskaya in Moscow

NEW NOVOSIBIRSK CITY COUNCIL WANTS TO REDUCE MAYOR'S POWERS. The members of the Novosibirsk City Council elected 8 December caused a scandal at their first meeting 9 January when they rejected the agenda proposed by the mayor. According to the current city charter, the mayor is also the head of the council. Of the 24 deputies, 11 represent Vladimir Zhirinovskiy's Liberal Democratic Party of

Russia, one is from the Congress of Russian Communities, and seven are Communists. They reject the views of democratic mayor Viktor Tolokonskii, *Novaya Sibir* and Radio Rossii reported on 13 January. The council now wants to change the charter to remove the mayor from its leadership, but amending the charter is a difficult process. The mayor's supporters note that 300,000 registered voters in the city elected Tolokonskii with his current powers, while only 100,000 participated in the city council vote. -- Robert Orttung

ETHNIC CONFLICT AND REGIONAL SEPARATISM

LYSENKO: AUTONOMOUS OKRUGS' PROBLEMS SHOULD BE SOLVED INDIVIDUALLY. Although a law regulating relations between autonomous okrugs and the krais or oblasts to which they are subordinate is essential, the bill which was passed by the State Duma but voted down by the Federation Council last month is unlikely to resolve the existing problems, Duma deputy Vladimir Lysenko argued in *Trud* on 9 January. He claimed that the bill gave too much freedom to autonomous okrugs and did not pay enough attention to each individual situation. He suggested that the federal parliament should pass only general principles for relations between oblasts/krais and their okrugs and let the regions themselves determine the details of the relationship.

Ten autonomous okrugs were created in the 1920s and 1930s in order to grant several indigenous Northern peoples their own official territories. All okrugs were subordinate parts of krais or oblasts, which put them on the lowest level of the administrative ladder. In the early 1990s, riding the wave of decentralization, the majority of okrugs declared their independence from the regions to which they were subordinate. The 1993 Federation Treaty and Constitution granted autonomous okrugs a status equal to the other subjects of the Russian Federation, though at the same time leaving them subordinate to their respective oblasts and krais.

Today, autonomous okrugs may be split into three categories according to their economic situation: donors to the federal budget; those that, along with the krais and oblasts they belong to, are budgetary recipients; and okrug-recipients that are parts of oblast-donors. The first category consists of Khanty-Mansi, Yama-Nenets, and Taimyr okrugs (the first two belong to Tyumen Oblast and the last one to Krasnoyarsk Krai). These regions are extremely rich in gas, oil, and precious stones, while Tyumen and Krasnoyarsk proper are not so bountiful. The okrugs would benefit economically by seceding from the larger units. This disparity has led to conflicts between the okrugs and Tyumen and Krasnoyarsk: the okrugs are earnestly seeking economic as well as political sovereignty. However, their secession will harm the federal center: Moscow will have to subsidize the oblast and krai left behind, which now are to a great extent funded by their okrugs, Lysenko argues.

Four regions, Chukotka, Koryak, Yevenk, and Agin Buryat autonomous okrugs, belong to the second category. It does not matter to them who, their respective oblast or the center, finances them. Komi-Permyak okrug, which belongs to Perm Oblast, and Ust-Orda Buryat, which is a part of Irkutsk Oblast, make up the last category--recipients in a donor oblast. (The article did not discuss the Nenets Autonomous Okrug.) They have experienced the most negative consequences of administrative separation. Their economies are in a dire state and they are seeking reintegration, hoping for increased financial support. However, Perm, and Irkutsk oblasts, which are donors themselves, are not enthusiastic about the okrugs' return, especially because the okrugs are seeking increased economic aid while trying to preserve much of their political sovereignty.

Lysenko insists that the okrugs' autonomy or dependence makes no difference for the indigenous peoples who live on their territory. The main political struggle is between the Russian-speaking elites of the okrugs and the regions to which they are subordinate. Lysenko advocates the use of power-sharing treaties to define the rights and responsibilities of each region clearly in order to avoid future conflict. -- Anna Paretskaya in Moscow

SOCIAL ISSUES

INGUSH PRESIDENT ORDERS ALCOHOL BAN FOR RAMADAN, RECEIVES AWARD. President Ruslan Aushev on 6 January issued a decree banning the sale of alcohol in Ingushetiya for the holy month of Ramadan, ITAR-TASS reported. Compliance with the decree, which went into effect on 9 January, is being monitored by the republican Interior Ministry and local administration heads. Also on 9 January, the Muslim Aushev received an order from the Russian Orthodox Church in recognition of his efforts to promote a peaceful settlement of the conflict in Chechnya. At a ceremony in Stavropol, Aushev was awarded the order of Prince Daniil of Moscow by Metropolitan Gedeon of Stavropol and Vladikavkaz. -- Penny Morvant

UNDERFUNDING HAMPERS JURY TRIALS IN MOSCOW AREA. Lack of funding is preventing the introduction of jury trials in the Russian capital, while Moscow Oblast courts do not have enough money to pay jurors, *Vechernyaya Moskva* reported on 11 January. Jury trials were reintroduced in 1993 in five Russian regions, including Moscow Oblast, and extended to four more the following year, according to a study in *Znamya* (no. 6, 1996). In 1996, juries heard about 200 cases in Moscow Oblast. Jury trials are becoming increasingly popular among defendants and lawyers because of the greater chance of acquittal. However, running costs are higher than for courts presided over by a judge and two people's assessors. Moscow Oblast now owes more than 250 million rubles (\$50,000) to people who have served on juries since May 1996. Jury trials were due to be introduced in the city of Moscow, St. Petersburg, Kareliya, and Chelyabinsk Oblast on 1 January 1996 and in another eight regions on 1 July, but that decision has not been implemented because of financial constraints. -- Penny Morvant

ENERGY CRISIS STAVED OFF IN KAMCHATKA. Fears that the sinking of an oil tanker carrying 19,000 metric tons of oil to Petropavlovsk-Kamchatskii would lead to severe power cuts on the Kamchatka peninsula have proved unfounded, RTR reported on 13 January. Following the loss of the Russian-registered *Nakhodka* in the Sea of Japan on 2 January, the Kamchatka Oblast administration adopted an emergency plan envisaging electricity cuts of up to six hours a day from 6 to 12 January, the date the next major delivery of oil and diesel was due. But although the oblast used up the 30,000 tons of fuel in the local state reserve supply last summer, the local authorities managed to requisition enough fuel to maintain supplies until the next tanker arrived. Kamchatka, like other parts of the Russian Far East, is frequently on the verge of an energy crisis, because of the inability of local power companies and local state-funded organizations to pay for fuel. Governor Vladimir Biryukov told ITAR-TASS on 13 January he hoped the completion of a thermal power station on the Mutnovskii Volcano and the development of hydroelectric power-generating facilities on Kamchatka's rivers would improve the situation. -- Penny Morvant

ECONOMIC DEVELOPMENTS

SVERDLOVSK OBLAST TO ISSUE EUROBONDS. The government of Sverdlovsk Oblast has decided to float a \$20 million eurobond issue of three-month securities in March, *Finansovaya gazeta* (no. 1) reported. The Moscow based Inkombank, one of Russia's largest financial institutions, will prepare and co-manage the issue. In September 1996, the bank and the oblast signed a co-operation agreement. The Western coordinator of the issue will be appointed later in January. An increasing number of regions intend to float eurobonds in the wake of the highly successful issuance of Russian eurobonds in November 1996. Yet, some local eurobond programs are now under threat. For example, uncertainty about projects that would repay the Moscow eurobonds forced the Moscow city government to postpone the issue (Moscow was among the first to announce a eurobond program). -- Natalia Gurushina in Moscow

CHUVASHIYA ATTEMPTS TO BOOST BANKING INVESTMENT IN LOCAL INDUSTRY. In order to increase the financing of local companies and organizations by banks and stimulate housing construction, the State Council of Chuvashiya has decided to cut tax rates for such financial institutions, *Finansovaya gazeta* (no. 1) reported. If loans to Chuvashiyan firms account for more than 90% of the banks' total credits,

the rate of the tax on profits for these banks will be reduced from 30% to 10%. Another element of the Chuvashiyan government's policy toward banks is cutting the rate of the tax on profits received from loans to individuals for buying and building houses to a mere 5%. -- Natalia Gurushina in Moscow

NEW ECONOMIC POLICY IN OMSK OBLAST. The ongoing crisis with federal financing and the catastrophic situation in tax collection for the local budget forced the government of Omsk Oblast to introduce a new economic policy, *Trud* reported on 11 January. The administration agreed to support anti-crisis programs for a limited number of large companies which are likely to successfully carry out restructuring programs. Among these firms are the aerospace company Polet, Omskii Kauchuk, Elektropribor, and Sibkriotekhnik. However, from now on, the distribution of the local government's finances, tax benefits, and guarantees for credits from commercial banks will be based on the company's ability to generate profits from the proposed investment projects. The regional government will now have the right to seize parts of a company's capital. The Omsk administration also decided to cut the number of social programs in the region and divide the local budget into two parts. The first part is the municipal budget. The funds for the second part of the budget, made up of federal programs for the region, are supposed to be provided by the organizations which mandated these programs. Following further cuts in federal subsidies to the regions in the 1997 budget, more independent regional economic programs are likely to follow. -- Natalia Gurushina in Moscow

Compiled by Robert Orttung

REGIONAL PROFILE: ST. PETERSBURG

Governor Vladimir Yakovlev

Vladimir Yakovlev came to power in June 1996 at the front of a wave of governors who presented themselves as good managers rather than supporters of one or another ideology. The core of his electoral platform was his pledge to rebuild the city's crumbling infrastructure. He is a close ally of Moscow Mayor Yurii Luzhkov, who supported his candidacy, and he backed President Yeltsin's re-election campaign. In contrast to his predecessor, who wanted to emphasize the city's potential as a cultural, financial, and sports center, Yakovlev stresses industry, construction, and transport. He has expressed support for medium and small businesses and attracting investors in municipal short-term bonds. He seeks close cooperation with Leningrad Oblast but is wary of speedy integration. His priority projects include repairing St. Petersburg's decaying subway system, part of which will be closed for at least two years, building better highways and a high-speed rail link to Moscow, and fixing up the city's housing stock (the field where he spent most of his career). He is also continuing the campaign to bring the 2004 Olympics to St. Petersburg.

Other Local Leaders

Chairman of the Legislative Assembly -- Yurii Kravtsov (elected in January 1995)

Brief Overview

St. Petersburg, Russia's second largest city, is located in the northwestern part of European Russia on the delta of the Neva River, where it flows into the Gulf of Finland. The city was founded as St. Petersburg in 1703 by Peter I (the Great) and was made Russia's capital in 1712. At the beginning of World War I, the city was renamed Petrograd. It was the scene of the February and October revolutions in 1917. In March 1918, the capital was moved back to Moscow. In 1924, the city was renamed Leningrad. The city suffered a 900-day German siege during World War II (Sept. 1941-Jan. 1944). In June 1991, the citizens of Leningrad voted to change the city's name back to St. Petersburg.

With its remarkable architecture, St. Petersburg is a major cultural center, boasts numerous educational institutions, and is also of great importance as an industrial center and as a seaport.

Basic Facts

1995 Population (est.): 4,838,000 (3.26% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 1.98%

Average personal income index in July 1995: 112 (Russia as a whole = 100)
Price basket index in July 1995: 102 (Russia = 100)
Average back wages owed per person (September 1995): 11,200 rubles (Russian average = 37,100)
Urban population: 100.0% (Russia overall: 73.0%)
Student population (1993): 432 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 24.8%
Percent of population with higher education (1989 census): 22.0% (Russia overall: 11.3%)
Percent of population working in (1993): Industry: 31.5% (Russian average: 29.9%); Agriculture: 0.5% (12.8%); Trade: 10.1% (9.1%); Culture: 21.2% (13.6%); Management: 2.3% (2.3%)
Number of telephones per 100 families (1993): 83.2 (Russian average: 41.5)
According to a 1995 survey by Bank Austria, St. Petersburg is 2nd among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 49.62%/73.86% (first round/second round)
Yavlinskii: 15.15%
Zyuganov: 14.94%/21.09%
Lebed: 14.01%
Zhirinovskiy: 2.15%
Turnout: 62.06%/65.11% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Yabloko: 16.03%
Communist Party of the Russian Federation: 13.21%
Our Home Is Russia: 12.78%
Russia's Democratic Choice-United Democrats: 12.37%
Party of Workers' Self-Government: 6.51%
Congress of Russian Communities: 5.13%
Communists-Workers' Russia: 3.79%
Liberal Democratic Party of Russia: 3.42%
Women of Russia: 2.75%
In single-member districts: 1 Russia's Democratic Choice-United Democrats, 5 Yabloko, 2 independent
Turnout: 60.52% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" - 69.74% "No" - 27.65%

1993 Parliamentary Election

Russia's Choice: 26.99%
Yabloko: 21.20%
Liberal Democratic Party of Russia: 18.02%
Communist Party of the Russian Federation: 7.69%
Women of Russia: 5.04%
Democratic Party of Russia: 3.98%
Party of Russian Unity and Concord: 3.74%
Agrarian Party of Russia: 0.89%
From electoral associations: 3 Yabloko, 2 Communist Party of the Russian Federation, 3 Liberal Democratic Party of Russia, 3 Russia's Choice, 1 Democratic Party of Russia
In single-member districts: 1 Party of Russian Unity and Concord, 4 Russia's Choice, 1 New Regional Policy, 1 Russia's Way, 1 12 December Union
Turnout: 52.02% (Russia overall: 54.34%)

1991 Presidential Election

Yeltsin: 67.23%
Ryzhkov: 10.59%

Zhirinovskiy: 5.65%
Tuleev: 3.99%
Makashov: 5.09%
Bakatin: 3.4%
Turnout: 65.11% (Russia overall: 76.66%)

Sources: *Goroda Rossii [Cities of Russia]*, Moscow: Bolshaya Rossiiskaya Entsiklopediya, 1994; *Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections]*, Moscow: Yuridicheskaya Literatura, 1995; *Itoги vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown]*, Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995]*, Moscow: Central Electoral Commission, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.
Compiled by Silja Haas and Anna Paretskaya

ETHNIC CONFLICT AND REGIONAL SEPARATISM

THE SIGNIFICANCE OF THE CHECHEN ELECTIONS

On 27 January, residents of Chechnya will go to the polls to elect a president and a new parliament. It was only half a year ago that the peace accord signed at Khasavyurt brought to an end the 21-month war that cost the lives of around 50,000 civilians and 4,400 Russian troops.

The elections will symbolize the end of the war and the creation of new, legitimate political institutions in Chechnya. They represent the opening of a new phase in Chechen affairs--but they will not solve all the outstanding problems. The two most pressing issues are the selection of a new set of rulers capable of leading a united Chechnya, and the thorny question of Chechnya's relations with Russia.

Chechnya faces problems familiar to many new countries that have fought for their independence--to make the transition from war to peace, to disarm the militias, to find employment for the young ex-fighters. Unlike many former colonies, Chechnya did not emerge from its war with an authoritative national leader. Dzhokhar Dudaev had played such a role (although he also had internal enemies), until his death in a Russian rocket attack in April 1996. Dudaev rose to power in 1991, winning presidential elections in October of that year with 90% of the vote. Since his demise, no clear replacement figure has emerged.

There are 16 candidates running for the presidency, and another 900 are competing for the 63 seats in parliament. The front-runner in the presidential race is Aslan Maskhadov, Dudaev's top military commander and the man who brokered the Khasavyurt accords in August with Aleksandr Lebed, at that time secretary of Russia's Security Council. Maskhadov is considered by Moscow to be the most pragmatic and reasonable of the candidates, and Chechens keen to avoid conflict with Russia may be inclined to vote for him. He is also thought to have good contacts with the clan elders who play an important role in Chechen society. Some polls, of unknown reliability, show Maskhadov with a commanding lead: he hopes to win an outright majority in the first round, and thus avoid a run-off, which would take place between the top two contenders two weeks later. In recent weeks, Russian leaders have avoided speaking out in favor of Maskhadov in order to avoid giving ammunition to his rivals, who accuse him of being too willing to talk with Moscow.

Zelimkhan Yandarbiev, an intellectual, took over as acting president in the wake of Dudaev's death. His campaign slogan is "together forever": he hopes that his current position as head of state will make him the symbol of Chechen independence and unity. He failed to persuade the other candidates to withdraw in favor of a single nominee (namely, himself), and he is now actively using state officials to promote his campaign, having forced the resignation of all the top ministry officials loyal to Maskhadov. On 16 January, at a meeting of the Chechen State Defense Council, a body uniting 50 field commanders, Yandarbiev's head of state security accused Avakho Arsanov, Maskhadov's vice-presidential running mate, of raising money through kidnapping. He said Arsanov, the former northern front commander, still holds 17 captives for ransom. A tape of the meeting was leaked to Russian media.

Shamil Basaev, the colorful 32-year-old commander who led the June 1995 raid on the Russian city of Budennovsk, is running an active and visible campaign. He argues for an uncompromising stance vis-a-vis Russia and immediate recognition of Chechen sovereignty by the international community. He has publicly accused Maskhadov and Yandarbiev of being "crooks," and presents himself as a fresh alternative with a strong appeal to young voters. Last week, Basaev traded in his signature camouflage fatigues for a suit and tie. Basaev has received the backing of the "Council of prophets' descendants and sheiks," 33 families who claim descent from leading Sunni thinkers. In Russia, Basaev is a wanted man for his role in the Budennovsk raid, in which 150 persons died. However, as the weekly *Itogi* noted on 21 January, every time a Russian official makes an anti-Basaev statement on television, his rating rises inside Chechnya.

Basaev, a former computer salesman, seems quite reasonable compared to fellow candidate Salman Raduev, who led the hostage-taking raid on Kizlar and Pervomaiskoe in January 1996. According to Russian TV (RTR) on 19 January, Raduev insists that Dudaev is still alive, and pledges to "fight to the last Chechen" and "destroy the Russian state" unless independence is immediately recognized. Raduev seized two dozen Russian police as hostages in December, in an apparent bid to interfere with the withdrawal of Russian troops.

The leading contender among the other candidates is probably Movladi Udugov, the former press minister who is credited with skillfully orchestrating Chechnya's international media campaign. It is not clear

whether media skills will count for much in the chaotic conditions of post-war Chechnya. However, alone among the candidates Udugov was able to organize a coalition of groups supporting his candidacy. The alliance, called "Islamic order," had its founding meeting on 21 January. Many of the candidates have strong local power-bases, and voting is likely to be highly fragmented along regional lines.

All the candidates stress that they regard the "Chechen Republic of Ichkeria" as an independent state. They argue that it has been independent since 1991, and note that Chechnya neither signed the 1992 Russian Federation treaty nor took part in the 1993 constitutional referendum. The candidates also concur that the state will be based on Islamic principles, although they differ over how close the ties will be. Maskhadov explained his position to *Nezavisimaya gazeta* on 18 January. "I envision Chechnya as an independent Islamic state. Under no condition will we allow Sudan or Saudi Arabia to force their state structures on us. We are Chechens, and we have customs and traditions of our own...If I become the president, there will be Islamic order in the republic. But not the kind of order that certain media describe. Hands or heads won't be chopped off."

The victorious candidate will face the challenge of disarming regional militias and rebuilding the Chechen economy. They will also have to negotiate the tricky relationship with Russia. Unbelievably, the vast majority of Russian leaders are still pretending that Chechnya is an inalienable part of the Russian Federation. "There will be no secession of Chechnya from Russia," Security Council Secretary Ivan Rybkin said on national television on 18 January. Rybkin's deputy, Boris Berezovskii, believes that Chechnya's desperate economic condition means that they will have no choice but to make a deal with Moscow. He has proposed building a car assembly plant in Grozny, and he toured the Caucasus last month to negotiate terms for the pumping of oil from Azerbaijan through the pipeline that runs across Chechnya to the Russian port of Novorossiisk. "Chechnya will remain part of Russia," Berezovskii told ITAR-TASS on 20 January. In December, Russia started making payments of wage and pension arrears to residents of the Chechen republic.

It is hard to predict how Russia will react if and when the new president seeks international recognition for Chechnya. (Note that the Khasavyurt accord merely said Chechnya's status would be suspended for "up to" five years.) There are several ways in which Russia could try to challenge Chechnya's legitimacy. First, they could argue that the elections were unfair because refugees, variously estimated at 100,000 to 350,000, will not be allowed to vote where they currently live. Chechnya's population stood at 1.2 million in 1991, including some 400,000 Russians: only 45,000 Russians are thought to be left inside Chechnya. The Chechen authorities are arranging to transport some refugees in Dagestan and Ingushetiya back to Chechnya to vote on election day. Those living in neighboring Stavropol Krai, Moscow, or elsewhere, will not be able to vote. The Chechens say this is because they cannot guarantee the fairness of the ballot inside Russia: the Russians say it is because the refugees are more likely to vote for pro-Moscow candidates.

A second bone of contention is that of control over the northern districts of Chechnya, on the left bank of the Terek River, which were ceded to Chechen-Ingushetiya when the republic was reconstituted in 1997 (having been dissolved in 1944). The northern plains of Chechnya, home to many Russians and to supporters of pro-Moscow leader Doku Zavgalov, could try to secede. Cossack organizations across the border in Stavropol Krai are already agitating for the right to be armed and to defend the Russian inhabitants of Chechnya.

A third problem is that of missing persons and prisoners. The Chechens claim that 2,000 to 2,500 of their fighters are unjustly sitting in Russian prisons, and should be amnestied. The Russians in turn suspect that several hundred of the 1,000 Russian troops listed as missing are being held captive. Many of them are held by independent groups seeking cash ransoms or the return of their colleagues from Russian prisons.

The Russians are annoyed with the OSCE for rushing forward with assistance. The OSCE is providing between \$350,000 and \$500,000 to help run the elections, including 1,600 ballot boxes (from Austria) and indelible ink, into which voters' thumbs will be dipped to prevent double voting. The fact that this is all happening while the Chechen authorities decline to cooperate with the Central Electoral Commission in Moscow suggests that the OSCE has de facto accepted Chechen sovereignty. Also, Moscow was annoyed that the head of the OSCE mission, Tim Guldemann, did not seek clearance from Russian authorities before publicly announcing his involvement in the election preparations on 8 January.

One can only hope that the political maneuvering over the status of the Chechnya will stay at the level of diplomacy, and will not degenerate once more into the use of armed force. -- Peter Rutland

COSSACKS DEMAND RETURN OF CHECHEN TERRITORY. Cossack groups have long claimed that ethnic Russians in the Cossack districts of Chechnya as well as in neighboring Stavropol Krai are under threat (see *OMRI Daily Digest*, 21 June and 20 July 1995, 19 December 1996). In recent months, the withdrawal of Russian troops from Chechnya has raised such concerns among Cossacks. Following a 15 January meeting in Inozemtsevo, Stavropol Krai, the Council of Southern Russia Cossack Atamans announced plans to create armed self-defense units for the protection of ethnic Russians in Chechnya and Stavropol, Russian media reported. The council also demanded the return of Nadterechnyi, Naurskii, and Shelkovskii districts, which formerly belonged to Stavropol Krai and were included in the territory of the Chechen-Ingush Republic upon its restoration on 9 January 1957. (Stalin had liquidated the republic and exiled its peoples in 1944.) In addition, the atamans decided to appeal the legality of the transfer in the Constitutional Court.

No Russian official has endorsed any transfer of Chechen territory to Stavropol; in particular, Security Council Deputy Secretary Leonid Maiorov said such demands are unrealistic, RTR reported on 11 January. Russian politicians have expressed mixed opinions concerning the Cossacks' demands for special armed units. Security Council Deputy Secretary Boris Berezovskii, who participated in the 15 January meeting, supported the idea of creating armed Cossack units to guard the region around the Chechen-Russian border. However, Interior Minister Anatolii Kulikov strongly opposed the proposal, saying it could put ethnic Russians in Chechnya under threat. Security Council Secretary Ivan Rybkin said Cossacks should serve in the Russian army and Interior Ministry troops, not in special Cossack units, Russian Public TV (ORT) reported on 18 January. Ruslan Aushev, president of Ingushetiya, warned that arming Cossacks would increase tension in the region and could reignite the war in Chechnya, according to *Segodnya* on 20 January. Meanwhile, the State Duma on 17 January instructed its committee on legislation to work out amendments to the law on weapons in order to permit Cossack organisations to be armed. -- Nikolai Iakoubovski

CENTER-PERIPHERY RELATIONS

FEDERATION COUNCIL'S POWERS SHOULD BE RECONSIDERED. The authority granted to the State Duma (lower house of parliament) and Federation Council (upper house) under the Russian Constitution should be reconsidered, and the powers of the upper house should be strengthened, according to Boris Miroshin, deputy director of the Federation Council's legal department. In a commentary published in *Nezavisimaya gazeta* on 15 January, Miroshin argued that the Federation Council should not vote on all bills passed by the Duma. Rather, it should participate only in the adoption of a limited group of laws, which the constitution specifically says must be approved by both houses of parliament. That category includes laws concerning international affairs, defense, security, budget, and finance. (The upper house is only in session for a few days a month, since its members are all also leaders of legislative and executive branches in the Russian regions.)

Additionally, Miroshin proposed amending the constitution to replace direct presidential elections with a system in which parliament would choose the Russian president. He suggested that presidential candidates should be nominated only by political parties represented in the Duma and by the Federation Council, which could endorse two or three candidates on behalf of federation subjects. After a three-month campaign, deputies in the Duma and Council would elect the president. Miroshin proposed giving each federation subject one voice, which would force Council members and Duma deputies elected from each region to reach a consensus. Such a system would both end conflict between the executive and legislative branches of government and strengthen the federation, Miroshin believes. -- Anna Paretskaya in Moscow

CENTRAL AUTHORITIES URGENTLY NEED "COMPULSION" TOOLS FOR REGIONS. Now that the overwhelming majority of regional and republican executive leaders have been popularly elected, the central authorities are in urgent need of an institutionalized tool of "federal compulsion," according to Sergei Mitrokhin, a State Duma deputy from the Yabloko faction. He argued in *Nezavisimaya gazeta* on 18 January that new mechanisms of control should give the president the authority to suspend or terminate regional laws that contradict federal legislation (in accordance with court decisions), as well as the right to dissolve regional legislative assemblies that pass such laws and to sack regional executives who disregard court rulings.

The absence of sanctions to discipline federation subjects that violate federal laws, as well as the signing of power-sharing treaties with individual regions, may in the long term destroy the federation itself, Mitrokhin argued. Besides, the lack of federal control has allowed the creation of many regional authoritarian regimes that violate human rights and the principle of separation of powers. Mitrokhin also said local self-government institutions, whose existence depends to a great extent on the implementation of federal laws, are an important instrument to strengthen the federation. (Currently, there are no federal regulations pertaining to power relations within federation subjects, and many regional leaders resist devolving power within their regions to local authorities.)

Mitrokhin called on the center to stop regions from acting in accordance with the principle "take as much freedom as you can" (a reference to Yeltsin's famous statement in 1990, during the "war of laws" between the RSFSR and the Soviet Union, when he advised republics and regions of the RSFSR to "take as much sovereignty as you can stomach"). Instead, the center must put forward an ideology of balanced federalism, which should be based on a balanced division of powers between the center, the regions, and local councils. -- Anna Paretskaya in Moscow

MUKHA ELECTED CHAIRMAN OF "SIBERIAN ACCORD." Novosibirsk Governor Vitallii Mukha was elected chairman of the regional association Siberian Accord for a two-year term at its meeting in Tomsk, *Molodost Sibiri* (Novosibirsk) reported on 19 December. The regions of Siberia face considerable problems, with production falling 5.8% overall for the first nine months of 1996. Only Krasnoyarsk Krai registered growth. The regional association has been relatively inactive since its founding in 1992 and Mukha hopes to galvanize it. The article paints the Siberian Accord as a "third force" separate from and opposed to both the "Communists" and "Democrats," who are described as the two branches of the "Moscow party." According to the author, the Communists want to rule Russia through a resurrected Gosplan (the former state planning agency), while the "democrats" prefer to sit in Moscow banks. The paper suggests that Russia's enemies are the people in the capital who cannot agree with the regional elites. These people should be removed from power, the article concludes, and the role of associations like the Siberian Accord should be to help the regions unite and become a national force. When he was elected in December 1995, Mukha was considered sympathetic to the left opposition, since the Novosibirsk Communists had supported his candidacy, but he remained neutral during the 1996 presidential campaign. -- Robert Orttung

PATTERNS OF POLITICAL DEVELOPMENT

LEGISLATIVE ELECTIONS CANCELED IN PRIMORE. The Primorskii Krai Duma has canceled plans to hold new elections to the body on 30 March, *Segodnya* and *Nezavisimaya gazeta* reported on 18 January. The decision was taken after Krai Governor Yevgenii Nazdratenko said that the regional budget did not have the 8.4 billion rubles (\$1.5 million) needed to fund the election campaign. He proposed that the deputies find alternative sources of finance. In response, the legislative assembly decided to prolong its term in office indefinitely. -- Anna Paretskaya in Moscow

HEATING PLANT ACCIDENT HEIGHTENS POLITICAL TENSION IN PRIMORE. An accident at a central heating plant in Vladivostok has sparked a new war of words between the city administration, headed by Mayor Viktor Cherepkov, and the kraï authorities, under Governor Nazdratenko. On 15 January, hot water pipes ruptured in dozens of apartment buildings and several medical and educational establishments after a closed valve caused a surge in pressure at a central heating plant (see *OMRI Daily Digest*, 16 January 1997). The accident left thousands of families without heat and caused an estimated 20 billion-70 billion rubles (\$3.6 million-\$12.5 million) in damages.

Representatives of the mayor's office speculated that the valve had been closed deliberately, noting that this was the second such incident and that on both occasions the administration had received anonymous phone calls warning that a problem would occur. Three days after the accident, about 2,000 people took part in a rally in Vladivostok to protest against the kraï authorities' alleged attempts to destabilize the region's socioeconomic situation by deliberately aggravating the energy crisis, according to ORT and NTV. (The rally was organized by the

local branch of Aleksandr Lebed's Honor and Motherland movement.) *Nezavisimaya gazeta* noted on 18 January that in the past month, Cherepkov has twice accused the regional authorities of economic sabotage in petitions to the Procurator-General's Office. Also raising the specter of sabotage, Deputy Mayor Yurii Kopylov, quoted by RIA-Novosti on 16 January, noted that the accident coincided with a dispute between the Vladivostok authorities and the local Dalenergo power company over the city's plans to obtain power from the Yakutenergo company in the Republic of Sakha.

Both Dalenergo and the krai authorities have rejected the city administration's charges. Nazdratenko, who has frequently accused Cherepkov of a lack of professionalism, was quoted by NTV as blaming the accident on Cherepkov's "incompetent leadership." Dalenergo Director Valerii Zaitsev, meanwhile, said the accident was "nobody's fault." In a commentary critical of the mayor's office, *Nezavisimaya gazeta* argued that it was too early to speak of sabotage, as an official investigation into the incident was still under way, and that the emergency was being exploited for political purposes. -- Penny Morvant

CHERNOMYRDIN SUPPORTS ST. PETERBURG'S OLYMPIC BID. International Olympic Committee (IOC) President Juan Antonio Samaranch made a three-day visit to Russia from 17 to 19 January to consider St. Petersburg's bid to host the 2004 Olympics, international agencies reported. Russia's second city is one of 11 candidates vying for the Games; the IOC will decide on a short list in March and the winner in September. Prime Minister Viktor Chernomyrdin, the president of Russia's Olympic Committee, and other government officials argue that awarding the Olympics to St. Petersburg would be an international endorsement of Russia's transition to democracy. The government has promised massive financial support for the Games and gave Samaranch assurances on security. According to St. Petersburg Governor Vladimir Yakovlev, Chernomyrdin has ordered law enforcement officials to begin setting up special units to handle security. Russia's economic difficulties and organizational problems in the 1994 Goodwill Games in St. Petersburg are expected to count against the city's bid. -- Penny Morvant

LEGISLATIVE HEAD ELECTED IN KEMOROVO OBLAST. Aleksandr Filatov, a 56-year-old deputy mine manager from Leninsk-Kuznetsk, was elected head of the Kemerovo Oblast Legislative Assembly on 17 January, ITAR-TASS and NTV reported. Filatov, one of three candidates, was the choice of a majority of the 17 deputies who attended the first session of the assembly following elections on 29 December. Four legislative seats remained to be filled after those elections because of low turnout. Filatov was the first secretary of a city Communist Party committee under Mikhail Gorbachev. He now has the support of the left-wing Popular Power bloc, headed by Aman Tuleev, the minister for CIS affairs. Kemerovo Oblast had long been without a functioning legislative assembly and was thus unable to adopt laws governing elections to the executive in the region (see *OMRI Daily Digest*, 8 October 1996). -- Penny Morvant

NEW POLITICAL ORGANIZATION FOUNDED IN BURYATIYA. A new left-wing political organization, the Movement of Workers, held its founding congress in Ulan-Ude on 18 January, ITAR-TASS reported. The 400 delegates at the congress called for changes in Russia's electoral laws to guarantee workers 30% representation in the executive branch. The movement also expressed support for strikes by workers in organizations funded from federal and local budgets and approved a motion to include the movement in the leftist Popular Patriotic Union of Russia. Left-wing parties have performed well in Buryatiya in recent elections. The Communist Party of the Russian Federation took nearly 28% of the vote there in the December 1995 Duma election, while Gennadii Zyuganov led in the republic in both rounds of the 1996 presidential election. The communist Young Pioneer organization has also recently been revived in the republic. -- Penny Morvant

SOCIAL ISSUES

MEDICAL WORKERS STRIKE IN PRIMORE. Medical workers in Primorskii Krai began a four-day warning strike on 21 January to draw attention to the plight of the region's health care sector, ITAR-TASS reported. Staff are only dealing with emergency cases. Russian TV quoted trade union representatives as saying workers were owed about 170 billion rubles in back wages and that some had still not been paid for work in

August. As in many other parts of Russia, medical facilities there are short of medicine, bed linen, bandages, food for patients, and basic medical equipment. The krai authorities have promised to pay their debts to the sector by 15 February. -- Penny Morvant

ECONOMIC DEVELOPMENTS

FISCAL EXPERIMENT IN ORENBURG OBLAST. The Orenburgneft oil company is participating in the fiscal experiment to estimate the optimum level of tax payments for firms in the fuel and energy sector, *Segodnya* reported on 17 January. Although economic legislation allows different tax rates for individual companies depending on the geological and economic conditions of the companies' oil and gas deposits (the so-called tax on resource-rent), the absence of clearly defined criteria for such differentiation hinders its implementation. Conducting an economic estimate of companies' mineral deposits presents a formidable task: Orenburgneft geologists and economists have made such an attempt for all 82 company's oil reserves. Their survey found that the optimum tax rate for the company should be set at 35%, compared to 55% Orenburgneft had to pay before the exercise. After consultations with the Finance Ministry, the Economics Ministry, and the Federal Tax Service, the Russian government has decided to reduce the company's excise tax rate from 61,700 rubles per metric ton of oil to 10,000 rubles. The Orenburg government has agreed to cut the rate of the local property tax from 2% to 1%. The results of the Orenburg experiment will be closely monitored and possibly extended to other firms in the sector. -- Natalia Gurushina

YAMAL-NENETS SIGNS COOPERATION AGREEMENTS WITH OIL FIRMS. The oil company Rosneft has signed a cooperation agreement with the administration of the Yamal-Nenets Autonomous Okrug, *Segodnya* reported on 21 January. The company has a number of projects in the region, at a total cost of more than 2.5 trillion rubles (about \$445 million). In particular, the agreement describes the mechanism of repaying mutual debts worth 100 billion rubles. In order to repay its debt to Yamal-Nenets, Rosneft agreed to supply an equivalent amount of oil and oil products to the okrug. The okrug government, in turn, promised to give the company tax and investment benefits and ease the procedure of getting licenses for the development of oil deposits in the region. The okrug's government has signed a similar cooperation deal with Sibneft, a company which has a subsidiary (Noyabrskneftegaz) in the region. Meanwhile, at a meeting with Fuel and Energy Minister Petr Rodionov, Sibneft's President Viktor Gorodilov pointed out that the volume of oil extraction will continue to drop unless local and federal governments ease the tax burden for companies in the sector, ITAR-TASS reported on 21 January. Gorodilov noted that in 1996 some 79% of oil companies' gross profits were spent on tax payments. -- Natalia Gurushina

NIZHNII NOVGOROD TO ISSUE BONDS TO RESOLVE NON-PAYMENTS PROBLEM. The administration of Nizhnii Novgorod Oblast is attempting to ease the problem of non-payments in the region by floating a special municipal bond issue worth 57 billion rubles (\$10 million), *Delovoi mir* reported on 21 January. The bonds will mature on 31 July 1997. Municipal bonds worth 27 billion rubles will be distributed among administrations of the oblast's regions and cities. Despite these financial problems, the World Bank's report said that the investment climate in the oblast has the greatest potential in Russia, *Izvestiya* reported on 14 January. -- Natalia Gurushina

Compiled by Laura Belin

REGIONAL PROFILE: SAKHALIN OBLAST

Governor Igor Farkhutdinov

Appointed governor in April 1995, Farkhutdinov requested permission to hold direct gubernatorial elections three times before finally winning a popular mandate on 20 October 1996. Farkhutdinov heads the local branch of Prime Minister Viktor Chernomyrdin's bloc Our Home Is Russia, and Chernomyrdin personally campaigned for his ally in Sakhalin, promising to introduce various development programs in the oblast.

Farkhutdinov defeated numerous opponents, gaining a plurality of 39.4% of the vote cast in the first round of the election.

From 1991 until he was appointed governor, Farkhutdinov had served as mayor of the oblast's capital city, Yuzhno-Sakhalinsk. His predecessor Yevgenii Krasnoyarov, the oblast's governor since 1993, resigned under a cloud of allegations that he misused federal aid intended for the victims of an earthquake in the southern Kuril Islands in 1994. Farkhutdinov himself drew praise for his handling of the disastrous May 1995 earthquake in the city of Neftegorsk, in northern Sakhalin.

The top priority in Sakhalin at present is the joint development of the large off-shore oil and gas deposits by foreign and Russian companies with an expected high influx of capital. To help local industry, which has suffered much in recent years from increased transport costs, Farkhutdinov is seeking federal subsidies and establishing economic ties with nearby prosperous countries, especially Japan and South Korea.

Other Local Leaders

Chairman of the oblast Duma - Nikolai Svetkin (elected in January 1996)

Brief Overview

Sakhalin Oblast includes Sakhalin Island and the chain of the Kuril Islands. Sakhalin lies off the shore of Khabarovsk Krai in southeastern Siberia to the north of the northernmost Japanese island Hokkaido. The Kurils, forming the southern border of the Sea of Okhotsk, stretch from Kamchatka Peninsula to Hokkaido. Possession of these territories has been a subject of dispute between Japan and Russia for more than a century. Japan held the southern Kuril islands from 1855 until the end of World War II. Sakhalin was chiefly used as a prison colony by tsarist Russia: Japan won control over the southern half of the island in 1905, and lost it to the Soviet Union in 1945.

The dominant features of Sakhalin's economy are fishing, lumber, and coal mining in the south, along with the exploitation of oil fields in the north and in the Sea of Okhotsk. Natural vegetation ranges from tundra in the north to deciduous forests in the south with its cold and damp oceanic monsoon climate. The area is repeatedly afflicted with earthquakes.

Basic Facts

1995 Population (est.): 673,100 (0.45% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 0.50%

Agricultural production as percentage of all Russian production (1994): 0.81%

Average personal income index in July 1995: 128 (Russia as a whole: 100)

Price basket index in July 1995: 169 (Russia: 100)

Average back wages owed per person (September 1995): 178,500 rubles (Russian average: 37,100)

Urban population: 85.1% (Russia overall: 73.0%)

Student population (1993): 43 per 10,000 (Russia overall: 171/10,000) Pensioner population (1994): 21%

Percent of population with higher education (1989 census): 11.2% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 28.7% (Russian average: 29.9%) Agriculture: 7.4% (12.8%) Trade: 11.0% (9.1%) Culture: 10.0% (13.6%) Management: 2.2% (2.3%)

Number of telephones per 100 families (1993): in cities: 37.3 (Russian average: 41.5) in villages: 38.7 (17.2)

According to a 1995 survey by Bank Austria, the oblast is ranked 76th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 29.86%/53.38% (first round/second round)

Zyuganov: 26.91%/38.81%

Lebed: 18.67%

Zhirinovskiy: 9.06%

Yavlinskii: 9.24%

Turnout: 63.46%/62.08% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 24.61%

Liberal Democratic Party of Russia: 15.32%

Yabloko: 6.76%

Women of Russia: 6.14%

Party of Workers' Self-Government: 5.53%

Congress of Russian Communities: 4.78%

Communists-Workers' Russia: 4.51%

Our Home Is Russia: 4.08%

In a single-member district: 1 Communist Party of the Russian Federation

Turnout: 57.79% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" - 61.93% "No" - 34.89%

1993 Parliamentary Election

Liberal Democratic Party of Russia: 36.86%

Women of Russia: 10.43%

Russia's Choice: 9.60%

Communist Party of the Russian Federation: 8.91%

Party of Russian Unity and Concord: 8.35%

Yabloko: 7.62%

Democratic Party of Russia: 6.55%

Russian Movement for Democratic Reforms: 4.24%

In single-member districts: 1 New Regional Policy

Turnout: 49.70% (Russia overall: 54.34%)

1991 Presidential Election

Yeltsin: 54.91%

Ryzhkov: 18.2%

Zhirinovskiy: 8.12%

Tuleev: 5.49%

Bakatin: 5.05%

Makashov: 3.82%

Turnout: 69.96% (Russia overall: 76.66%)

Sources: *Goroda Rossii [Cities of Russia]*, Moscow: Bolshaya Rossiiskaya Entsiklopediya, 1994; *Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections]*, Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown]*, Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dумы 1995 [State Duma elections 1995]*, Moscow: Central Electoral Commission, 1996; S.A. Nagaev and A.Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.

Compiled by Silja Haas and Anna Paretskaya

ETHNIC CONFLICT AND REGIONAL SEPARATISM

MASKHADOV ELECTED PRESIDENT IN CHECHNYA

Former Chechen Chief of Staff Aslan Maskhadov emerged victorious in the 27 January Chechen presidential election, garnering 64.8% of the vote, according to still-incomplete, preliminary results from 56 of the republic's 63 electoral districts. Polls had predicted Maskhadov's victory, but they were widely regarded as unreliable. Some had expected that he would get less than 50% of the vote and be forced into a runoff against the second-placed challenger. Maskhadov, however, roundly defeated the 12 other candidates; the runner-up, notorious former field commander and hostage-taker Shamil Basaev, won 22.7% of the vote, while the third-placed finisher, acting President Zelimkhan Yandarbiev, secured only 10.2%.

Taking the opportunity to influence their political destiny after 21 months of brutal fighting, Chechens came out to vote in large numbers. Although the final results will not be known for several days, election officials estimated turnout at over 80%, with lines of voters backed up at most polling stations. Voting hours were extended until 10:00 p.m. to allow all those who wished to vote to do so. Polling stations set up along Chechnya's borders with Ingushetiya, Dagestan, Kabardino-Balkariya, and Stavropol Krai did brisk business as refugees displaced by the earlier fighting returned to cast their ballots. Russian officials had repeatedly requested that special polling stations be established in neighboring regions for refugees, but Chechen officials demurred, citing the possibility of fraud. A few polling stations were set up in Ingushetiya, but refugees from other regions had to use special bus services to return to Chechnya for the balloting.

Despite Chechen fears that "provocations" by opponents of the republic's independence would disrupt the election, it went off quietly. Contrary to expectations, a bomb explosion in Dagestan the weekend before the polls and the continued detention of two Russian Public Television journalists kidnapped by unknown forces on 19 January did not trigger a wave of violent incidents. More than 200 election observers, including some 72 from the OSCE, monitored the polls, and they observed no major irregularities. OSCE mission head Tim Guldman pronounced the elections "democratic and legitimate" on 28 January, an opinion shared by monitors from the Council of Europe. Despite the refugee issue, there can be few doubts about Maskhadov's democratic legitimacy.

Maskhadov's victory is particularly impressive given his low-key campaign, which relied almost entirely on his reputation as the leader who masterminded the military campaign that ultimately forced Russian troops to withdraw from the republic. The 45-year-old Maskhadov made few public appearances and, unlike his rivals, made no television commercials. According to Russian media reports, Maskhadov did especially well among better-educated voters and women and had a solid support base in Grozny, while younger male voters tended to opt for the 32-year-old Basaev.

Provided that other Chechen leaders now rally around Maskhadov, his election should make the republic more stable. Maskhadov's major political goals—which include securing recognition of Chechnya's independence from Moscow, combating crime, and establishing an Islamic republic—are similar to those of the other presidential candidates, a factor that should encourage post-election cooperation. One former candidate, Movladi Udugov, who was spokesman for late Chechen President Dzhokhar Dudaev, has already promised to work with Maskhadov.

Other presidential contenders were more guarded in their statements. Yandarbiev said that the election had shown the "unity" of the Chechen people but that his attitude toward Maskhadov would depend on the future president's policies. The mercurial Basaev, who called Maskhadov's associates "crooks" during the election campaign, said in a 29 January interview that he would not work for or against the new president. He ruled out joining Maskhadov's administration, because of disagreements with the new president's staff, but said he would not obstruct the victorious candidate's program. He also rejected suggestions that there would be a violent falling-out between his supporters and Maskhadov's, saying: "We have a common goal—Chechnya's independence."

Even if he can cobble together a domestic political coalition, however, Maskhadov will still have a tough job. While the Khasavyurt agreement's political clauses have largely been respected, its economic provisions have not. As *Nezavisimaya gazeta* pointed out on 28 January, the Baku-Novorossisk oil pipeline, which crosses Chechnya, is still not functioning; passenger rail traffic across the republic remains suspended; and Moscow has yet to pay the salaries and pensions it owes to residents of Chechnya. The Chechen economy is in shambles, and economic progress will be vital to ensure an enduring peace. Judging by the statements coming from Moscow,

Russian leaders plan to use economic leverage to pressure Maskhadov to compromise on his declared goal of independence.

Russian leaders--with the exception of radical nationalists such as Liberal Democratic Party leader Vladimir Zhirinovskiy and Communist Viktor Ilyukhin--welcomed Maskhadov's victory, predicting that he would prove a moderate and reasonable negotiating partner in talks on Chechnya's future status. Despite Maskhadov's repeated statements that he will settle for nothing less than independence, Moscow politicians appear to believe that Russia's economic sway will win the day and that Maskhadov will eventually accept a settlement that keeps Chechnya within the Russian Federation. Even Maskhadov's reiteration on 28 January that recognition of Chechnya's sovereignty will be his top priority has done nothing to soften Moscow's insistence that Chechnya will not secede. Given such unyielding public statements, it is difficult to see how negotiations will resolve the issue.

Nor can Maskhadov count on other states to put pressure on Russia by recognizing Chechen independence. Western countries are unlikely to alienate Russia while sensitive talks on NATO expansion are under way. And although many Islamic and Middle Eastern countries may sympathize with the Chechen cause, they will be loath to antagonize a potential arms supplier and counterweight to the United States for the sake of Chechnya, which has little to offer them at the moment. Maskhadov, then, may well have to settle for consolidating Chechnya's de facto independence, which Moscow is still in no position to dispute. -- Scott Parrish

CENTER-PERIPHERY RELATIONS

FEDERATION COUNCIL CHAIRMAN STROEV STANDS AT THE NEXUS OF CENTER-PERIPHERY RELATIONS

With the autumn gubernatorial campaign over, observers of the Russian political scene have continued to debate whether or not the Federation Council will become more assertive in its demands on the executive branch of the federal government. Federation Council Chairman Yegor Stroev's 10 January call for amendments to the constitution that would strengthen the legislature at the expense of the president seemed to signal that a more assertive Federation Council was indeed in the offing. Despite his reputation for measuring his political steps carefully and generally supporting a pro-Yeltsin line, Stroev declared that the constitution President Boris Yeltsin had written following his violent confrontation with the Supreme Soviet was not an "icon" and may no longer be suitable for the current situation.

Addressing the Federation Council on 22 January, Stroev again advocated constitutional amendments, and in an interview with *Moskovskie novosti* (no. 3), he suggested that the upper house should be given the right to confirm the so-called power ministers (interior, defense, and security services). Stroev noted that the first 10 amendments to the U.S. constitution were adopted just three years after the document as a whole. Three years have passed since the Russian constitution was approved by referendum in December 1993.

Stroev plays a key role in the evolving relationship between the central government and the regions. On one hand, along with President Yeltsin, Prime Minister Viktor Chernomyrdin, and Duma Speaker Gennadii Seleznev, he is a member of the "permanent four," formally at the top of Moscow's political Olympus. His formal ranking comes close to reflecting his informal position; *Nezavisimaya gazeta* (17 January) ranked him as the eighth most influential politician for 1996. On the other hand, he is the governor of the relatively poor Orel Oblast and serves as a spokesman for the country's regional elite.

The 59-year-old Stroev was educated as an agronomist, but he spent his career working his way up the Orel Communist Party of the Soviet Union apparatus, ultimately joining the Politburo in July 1990. After the August 1991 coup, he lost his apartment and was forced to live in a dormitory owned by the Ministry of Internal Affairs. He worked in an agricultural research institute until he was elected governor of Orel Oblast on 11 April 1993. In May 1995, Stroev joined the council of Chernomyrdin's new political party, Our Home Is Russia (NDR), which unsuccessfully sought to win the government strong representation in the Duma. (NDR won only 10% of the popular vote in the December 1995 Duma election). Stroev became the speaker of the Federation Council on 23 January 1996.

Many members of the opposition see Stroev as a traitor to their cause since he has distanced himself from communist political organizations and joined the "party of power." "Democrats" such as former St. Petersburg Mayor Anatolii Sobchak, in contrast, accused him of having pro-Communist sympathies when he was

being considered for the post of Federation Council speaker in January 1996. He presents himself as one of the new breed of the new model of the nonideological "strong manager" who is mainly concerned with improving the living standards of his constituents.

Stroev told the pro-opposition *Nash sovremennik* (no. 12, 1996) that he is trying to seek the golden mean in relations between the center and the periphery. Stroev said he believes that the Federation Council will be able to solve many of the country's problems because as members of the federal legislature, its deputies have to pass laws, while as regional leaders, they must also implement them.

In addition, Stroev predicted that the members of the Federation Council will maintain centrist positions. While he sees a place for the opposition in political life, he says it must find a way to work constructively with those in authority. Institutionally, he strongly backs the creation of a consultative council that brings together the leaders of the executive branch, the speakers of both houses, Duma faction leaders, and other regional executives.

Furthermore, Stroev sees the regional elite as able to mediate disagreements between the lower house of the legislature and the executive branch. He has expressed hope that the Federation Council could help prevent a repeat of the violence that occurred in 1993.

Stroev most likely announced his support for amending the constitution to shore up his position as speaker in the face of more aggressive Federation Council members who may be considering replacing him with someone who would make more demands on the Kremlin. The main contender for his spot is widely believed to be Moscow Mayor Yurii Luzhkov. In recent months, Luzhkov has sought to raise his public profile and boost his popularity outside Moscow; for instance, he has repeatedly demanded that Ukraine return the Crimean port city of Sevastopol to Russia.

The pro-presidential NTV has also suggested that Stroev's calls for constitutional changes reflect a great deal of uneasiness among the elite about the possibility of Lt. Gen. (ret.) Aleksandr Lebed succeeding Yeltsin. Reducing the power of the presidency could limit the resources available to Lebed in replacing the current elite with his own people.

Clearly, Stroev is playing both sides in a careful political balancing act. By granting an interview to *Nash sovremennik* and proposing to strengthen the legislature, he signaled some pro-opposition tendencies. However, he has also taken steps to reassure the Kremlin. Stroev denounced attempts by Communists in the Duma to impeach Yeltsin for health reasons, and in an interview published on 28 January in *Izvestiya*, he claimed that he was not trying to limit the authority of a sick president, but merely seeking to initiate "the process of improving constitutional-legislative activities." -- Robert Orttung

POTANIN APPOINTED HEAD OF RUSSIAN-TATAR COMMISSION ON POWER SHARING.

President Boris Yeltsin appointed First Deputy Prime Minister Vladimir Potanin to head the commission to monitor the power division between the federal government and the Republic of Tatarstan, *Segodnya* reported on 23 January. The commission, on which federal and Tatar authorities have equal representation, was set up in 1994 to iron out contradictions between Tatar and federal legislation, but it has been relatively inactive. Its previous chairman was former First Deputy Prime Minister Oleg Soskovets, who was sacked from the cabinet in June 1996. In February 1994, Tatarstan became the first region to sign a power-sharing agreement with the federal government. Under that treaty, which became a model for compromise between the center and the regions, Tatarstan was recognized as a sovereign republic within the Russian Federation (see *OMRI Russian Regional Report*, 25 September 1996). -- Laura Belin

FEDERAL OFFICIALS CELEBRATE INAUGURATION IN KABARDINO-BALKARIYA.

Presidential Chief of Staff Anatolii Chubais and other high-ranking officials in Moscow have repeatedly expressed concern in recent months about so-called legal separatism--regional legislation that violates federal law or the constitution. For instance, last week Justice Minister Valentin Kovalev warned the presidents of four Russian republics -- Adygeya, Kalmykiya, Sakha, and Karachaevo-Cherkesiya--that officials in their republics must send normative legal acts to the Justice Ministry for legal evaluation, *Nezavisimaya gazeta* reported on 23 January.

However, the Kremlin appears to be selective about what constitutes legal separatism. Valerii Kokov, president of Kabardino-Balkariya, was re-elected earlier this month with more than 97% of the vote. He ran for the office unopposed, which is prohibited by federal law. Nevertheless, Chubais and Deputy Prime Minister Vladimir Babichev brought warm greetings from Yeltsin and from the Russian government when they attended Kokov's inauguration on 22 January, Russian TV (RTR) reported. Moscow Mayor Yurii Luzhkov also attended the inaugural festivities. Federal officials are presumably relieved by Kokov's overwhelming victory because last month he squelched attempts to secede from Kabardino-Balkariya by a group claiming to represent Balkars (see *OMRI Russian Regional Report*, 15 January 1997). -- Laura Belin

PATTERNS OF POLITICAL DEVELOPMENT

CONTROVERSY SURROUNDING DECISION TO ANNUL EVENK ELECTION. A repeat gubernatorial election will be held in Evenk Autonomous Okrug on 16 March, but according to a commentary published in *Nezavisimaya gazeta* on 23 January, the decision by the Evenk electoral commission to annul the 22 December gubernatorial election in the okrug was unfounded. With the turnout at 64%, well above the 50% required for valid elections under the okrug electoral law, the chairman of the Evenk legislature, Aleksandr Bokovikov, gained 2,926 votes, edging out Governor Anatolii Yakimov, who gained 2,852 votes. The electoral commission annulled the election after receiving 38 complaints from voters about irregularities, but the paper argued that none of the complaints cast doubt on the election result as a whole. Moreover, the results of the legislative election held in Evenk on 22 December were not declared invalid in any of the 23 voting districts. *Nezavisimaya gazeta* suggested that the electoral commission merely acted to prolong the incumbent's tenure and give him another chance to keep his job. -- Laura Belin

SOCIAL ISSUES

BENEFITS TO BE PAID IN KIND IN YAROSLAVL, SVERDLOVSK. Pensioners in Yaroslavl can now purchase goods on credit against their pensions under an agreement concluded by the local branch of the Russian Federation Pension Fund, the oblast Social Security Department, the Yaroslavl Mayor's Office, and the trading company "Medved," ITAR-TASS reported on 26 January. Pensions in Yaroslavl are being paid about two months late, in part because local companies owe the Pension Fund 380 billion rubles (\$68 million) in mandatory payroll deductions. Enterprises will now be able to pay off part of their debts by transferring goods and securities to Medved, which has, in turn, undertaken to provide pensioners with basic foodstuffs (excluding alcohol) at prices no higher than the city average. Food credits should not account for more than a third of pension payments. The payments crisis in Russia has prompted the local authorities in several other regions to come up with equally unorthodox schemes to reduce companies' debts and pay overdue social benefits. Parents in parts of Sverdlovsk Oblast, for example, will soon be able to obtain children's goods in lieu of overdue child allowances, Radio Rossii reported on 23 January. The products will be supplied by companies indebted to the regional budget. The oblast authorities still owe parents about 326 billion rubles in benefits from 1996. -- Penny Morvant

POLICE PHONES CUT OFF IN KOMSOMOLSK-NA-AMURE. Only emergency telephone lines were functioning in police stations in Komsomolsk-na-Amure (Khabarovsk Krai) on 22 January, after the local Communications Department cut off most services because of the Interior Department's debts. According to ITAR-TASS, the city police owe about 800 million rubles (\$140,000) in unpaid bills. They are also deeply in debt to the local energy company and other public utilities. The city telephone exchange said that it had cut services to 270 businesses and budget-funded organizations, and it has threatened to deprive more offices of telephone connections if outstanding bills are not soon settled. Communications workers have not been paid since November. -- Penny Morvant

CRIME RATES FALL IN MOSCOW. Moscow police chief Nikolai Kulikov told ITAR-TASS on 22 January that 87,167 crimes were recorded in the Russian capital in 1996, 5.9% down from 1995. Many more crimes, however, go unreported. The number of recorded murders and attempted murders fell by 9.2% and cases of

grievous bodily harm by 19.1%. The incidence of theft also declined. Sixty-eight people, many of whom were engaged in the resale of valuable raw materials, were the victims of "contract killings." According to Kulikov, police detection rates improved, but he admitted that many of the most publicized crimes committed last year, such as the blast at the Kotlyakovskoe cemetery in November, remained unsolved. As part of a crackdown on vagrants, heavily criticized by human rights activists, 17,539 people of no fixed abode were deported from the capital during the year; a further 3,880 were sent to "special institutions" and 5,924 to rehabilitation centers. -- Penny Morvant

STAVROPOL RESIDENT JAILED FOR PROCURING GIRLS FOR TURKISH BROTHELS. A Stavropol district court sentenced 30-year-old Vasilii Gadaev to 10 years imprisonment on 26 January for procuring juveniles for brothels in Turkey, ITAR-TASS reported. The girls were lured by promises of jobs in Turkish shops or with cross-border "shuttle-traders." They traveled abroad on false papers Gadaev acquired from the Visa and Registration Department (OVIR) by presenting the birth certificates of other girls of similar age who did not have passports. (He reportedly paid hefty bribes to parents in return for the use of their daughters' birth certificates for a few days.) Gadaev received \$500 to \$1,000 for every girl sold into prostitution. -- Penny Morvant

ECONOMIC DEVELOPMENTS

HIGH-SPEED RAILWAY FROM MOSCOW TO ST. PETERSBURG: PROJECT OF THE CENTURY OR GIANT FRAUD? The 1997 budget, which the State Duma passed in the fourth reading on 24 January, includes a clause allocating 9.35 trillion rubles (\$1.7 billion) to provide state guarantees for investors in a project to build a high-speed railway connecting Moscow and St. Petersburg. The day before the budget vote, however, Aleksei Yablokov, chairman of the State Commission for ecological inspection, accused the construction company of deceiving the public. Yablokov, who has long opposed the project, said he suspected that the railway will never actually be built and that the very project may be just a fraud to obtain state subsidies and compensation for investors, NTV reported on 23 January. The High-Speed Main Lines joint-stock company, which is 92% state-owned, plans to build the 659-kilometer railway, 100 kilometers of which will go through the Valdai National Park. According to *Izvestiya* on 26 September 1996, the project has the backing of Prime Minister Viktor Chernomyrdin, First Deputy Prime Minister Aleksei Bolshakov, Minister of Railways Anatolii Zaitsev, Moscow Mayor Yurii Luzhkov, and Anatolii Sobchak, the former mayor of St. Petersburg. Before they joined the cabinet, Bolshakov and Zaitsev served on the board of directors of the High-Speed Main Lines company.

Meanwhile, the Ministry of Economics, the State Duma Committee on Ecology, the World Bank, and the European Bank for Reconstruction and Development have all opposed the high-speed railway project. Ecologists argued that the project would significantly damage the protected areas in the Valdai National Park, where the Volga, Dniepr, and Severnaya Dvina rivers originate. The Ministry of Economics concluded that the railway will never earn enough to compensate for its construction expenses, which are estimated at up to \$15 billion, Russian Public TV (ORT) reported on 12 September 1996. In addition, critics claim that a much less expensive plan to modernize the Oktyabrskaya railroad would have made travel between Russia's two largest cities almost as fast as a brand-new high-speed rail link. -- Nikolai Iakoubovski

FINANCING SUPPLIES TO THE FAR NORTH IN 1996. In 1996, the government spent 4.2 trillion rubles (about \$760 million) on supplies to the Far North, ITAR-TASS reported on 22 January, citing Deputy Prime Minister Valerii Serov. Of that sum, 3.6 trillion rubles was subsidies compensating the transportation costs to deliver 10 million metric tons of oil products and 2 million metric tons of food, and the remaining 0.6 trillion rubles was spent on loans to finance the social sphere in northern regions. Serov noted, however, that often the budgetary funds were misused and spent on purchases of foreign currency, alcohol, tobacco, and automobiles. He said that in order to check the usage of budgetary funds, the governmental commission on supplies to the Far North will hold hearings on 3-10 February in Chukotka and Koryak autonomous okrugs, Magadan and Sakhalin oblasts, and the Republic of Sakha (Yakutiya). -- Natalia Gurushina

INGOSSTRAKH EXPANDS IN BURYATIYA. Russia's largest insurance company, Ingosstrakh, has signed a cooperation agreement with the government of the Republic of Buryatiya, ITAR-TASS reported on 23 January. Under the deal, Ingosstrakh will provide medical and social insurance to the population, as well as insure export and import operations, the assets of budget organizations, and the obligations of local manufacturing and service-providers. Ingosstrakh will also act as a consultant to the Buryatian government in all aspects of the insurance business. While the agreement will undoubtedly provide new business opportunities for Ingosstrakh, it may put the company on a collision course with local insurance firms, which are likely to resent the large company for taking away some of their most lucrative business. Many smaller regional companies have already been hit hard by the government's imposition of a tax on the amount by which payments made to holders of personal insurance policies exceed their insurance premiums. Such a conflict would mirror the struggle between regional and big-city commercial banks. On the other hand, Ingosstrakh's insurance policies are valid in more than 100 countries, and the agreement with a large, internationally recognized insurance firm may improve Buryatiya's image to potential foreign investors and stimulate the inflow of capital to local enterprises. Many small regional companies seeking entrance to foreign markets urgently require financial and technical assistance. -- Natalia Gurushina

TATARSTAN ATTEMPTS TO RESOLVE NON-PAYMENTS CRISIS, ATTRACT MORE INVESTMENTS . . . President Mintimer Shaimiev has made another attempt to resolve the non-payments crisis in the Republic of Tatarstan and boost the republic's industrial output by signing a decree giving local companies in light industry a total of 100 billion rubles (\$18 million) in tax credits, *Segodnya* reported on 24 January. The firms will be exempted from paying taxes to the republican and local budgets in 1997, provided that they repay debts to those budgets by the end of the year (including the principal and interest, which will be equal to two-thirds of the Russian Central Bank's refinancing rate). Another important dimension of promoting sustainable economic growth in the republic is stimulating both domestic and foreign investments. Tatarstan's government is looking for ways to mobilize an estimated 3 trillion-3.5 trillion rubles of commercial banks' credit resources and 4 trillion-4.5 trillion rubles of individual savings (that sum includes 2.5 trillion rubles deposited in commercial banks), *Ekonomika i zhizn* reported (no. 4). Tatarstan also intends to raise some 400 billion rubles by floating special investment and oil bonds and another 2 trillion rubles from issuing eurobonds and selling government equity stakes in industrial companies. -- Natalia Gurushina

. . . AND CUT SUBSIDIES IN AGRICULTURAL SECTOR. In order to decrease farmers' dependence on state financial resources, Tatarstan's government has decided to change its policy on grain purchases. The state order for grain production will now cover only 70% of the total grain production by farms, ITAR-TASS reported on 27 January, citing Tatar Prime Minister Farid Mukhametshin. The government expects that the money raised from selling grain on the market will diminish farmers' need for state subsidies to buy equipment, feed, fertilizers, and construction materials. In recent years, the Tatar government has made development of the agricultural sector a priority. As a result, in 1996 the productivity of land increased by 58% in comparison with 1995, grain output reached 5 million metric tons, and Tatarstan became self-sufficient in major agricultural products, including grain and meat. The policy, however, took a heavy toll on the republican budget, since the agrarian sector absorbed some 25% of the regional budget's revenue. -- Natalia Gurushina

Compiled by Laura Belin

REGIONAL PROFILE: KHABAROVSK KRAI

Governor Viktor Ishaev

Viktor Ishaev is one of the few incumbents who won re-election with an overwhelming majority. Campaigning under the slogan "My party is Khabarovsk Krai," Ishaev defeated State Duma Deputy Valentin Tsoi 77% to 7.2%. Ishaev, a member of Our Home is Russia, was supported by the pro-Yeltsin All-Russian Coordinating Council as well as the left-wing Popular-Patriotic Union of Russia (NPSR). He secured the NPSR's support by promising to cooperate with the regional Duma and to reject any transfer to China of disputed islands on the Amur river.

Before he was appointed head of administration by President Yeltsin in October 1991, Ishaev served as first deputy chairman of the krai *ispolkom*. In 1993, he was elected to the Federation Council with 54.38% of the vote.

Ishaev has sought close cooperation with the central authorities. In April 1996, when Yeltsin visited Khabarovsk on his way to China, he and Ishaev signed a power-sharing agreement. The same treaty foresaw the implementation of a long-promised, complex federal program to support the development of the Far East and the Trans-Baikal area. Ishaev is credited with keeping the economic and political situation in the krai relatively stable, especially in comparison with adjacent Primorskii Krai, which has seen an energy crisis and large-scale strikes. He has also overseen the building of a bridge across the Amur River, linking the Jewish Autonomous Oblast, which is part of the krai, with the rest of the region.

Other Local Leaders

Chairman of Duma -- Viktor Ozerov (elected in March 1994)

Brief Overview

The focus of Khabarovsk Krai in Russia's Far East is the basin of the lower Amur River, but the krai also occupies a vast mountainous area along the coastline of the Sea of Okhotsk. Taiga and tundra in the north, swampy forest in the central depression, and deciduous forest in the south are the natural vegetation in the area. Major industries include timberworking and fishing, along with metallurgy in the main cities, although the krai's own mineral resources are poorly developed. Komsomolsk-na-Amure is the iron and steel center of the Far East; a pipeline from northern Sakhalin supplies the petroleum-refining industry in the city of Khabarovsk. In the Amur basin, there is also some cultivation of wheat and soybeans. The capital city, Khabarovsk, is at the junction of the Amur River and the Trans-Siberian-Railroad.

There are some aboriginal peoples of the manchu-tungus language family: Evenk and Even to the north and some Manchu peoples to the south of the Amur river. Some Nivkh (Gilyak), an indigenous fishing people with an isolated language, still live around the Amur delta. In the south, Khabarovsk Krai shares a short common border with China.

Basic Facts

1995 Population (est.): 1,588,100 (1.07% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 0.95%

Agricultural production as percentage of all Russian production (1994): 0.78%

Average personal income index in July 1995: 109 (Russia as a whole = 100)

Price basket index in July 1995: 141 (Russia = 100)

Average back wages owed per person (September 1995): 151,600 rubles (Russian average = 37,100)

Urban population: 80.7% (Russia overall: 73.0%)

Student population (1993): 224 per 10,000 (Russia overall: 171/10,000)

Pensioner population (1994): 18.8%

Percent of population with higher education (1989 census): 13.3% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 28.9% (Russian average: 29.9%) Agriculture: 4.3% (12.8%) Trade: 10.9% (9.1%) Culture: 12.2% (13.6%) Management: 3.4% (2.3%)

Number of telephones per 100 families (1993): in cities: 32.1 (Russian average: 41.5) in villages: 26.4 (17.2)

According to a 1995 survey by Bank Austria, the krai is 52nd among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 39.01%/58.98% (first round/second round)

Zyuganov: 22.92%/33.72%

Lebed: 12.24%

Zhirinovskiy: 8.65%

Yavlinskii: 10.42%

Turnout: 67.02%/66.05% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 16.07%

Liberal Democratic Party of Russia: 12.25%

Our Home Is Russia: 3.97%

Yabloko: 7.54%

Derzhava: 6.49%

Women of Russia: 5.84%

Communists-Workers' Russia: 3.91%
Party of Workers' Self-Government: 9.56%
In single-member districts: 1 Communist Party, 1 independent
Turnout: 64.45% (Russia overall: 64.37%)

1993 Constitutional Referendum

Yes -- 67.77% No -- 28.41%

1993 Parliamentary Election

Liberal Democratic Party of Russia: 19.90%
Russia's Choice: 19.09%
Women of Russia: 12.91%
Communist Party of the Russian Federation: 12.07%
Yabloko: 7.27%
Party of Russian Unity and Concord: 7.53%
Democratic Party of Russia: 6.07%
Agrarian Party of Russia: 1.83%
In single-member districts: 1 Russia's Choice, 1 Party of Russian Unity and Concord
Turnout: 46.13% (Russia overall: 54.34%)

1991 Presidential Election

Yeltsin: 59.75%
Ryzhkov: 18.1%
Zhirinovskiy: 7.06%
Tuleev: 4.61%
Bakatin: 3.27%
Makashov: 3.21%
Turnout: 68.63% (Russia overall: 76.66%)

Sources: *Goroda Rossii [Cities of Russia]*, Moscow: Bolshaya Rossiiskaya Entsiklopediya, 1994; *Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections]*, Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown]*, Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumi 1995 [State Duma elections 1995]*, Moscow: Central Electoral Commission, 1996; S.A. Nagaev and A.Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.
Compiled by Silja Haas and Anna Paretskaya

PATTERNS OF POLITICAL DEVELOPMENT

THE MORNING AFTER: WITH THE ELECTIONS OVER,
NEW GOVERNORS FACE TASK OF RULING

Following the fall election campaign, new governors across Russia now must face up to the daunting tasks of their new jobs. In switching from campaigning to governing, new regional executives must work out solutions to the difficulties their constituents face. In many cases, the very intractability of these problems led to the unpopularity of the previous leader and provided an opening for the opposition to unseat him. Among the first tasks is often a decision about what to do with the appointees of the previous administration.

In several cases, the new leaders have taken a hostile approach. In Khakasiya, the new republican leader, Aleksei Lebed, has announced that he will audit the work of his predecessor's administration, ITAR-TASS reported on 10 January. Lebed said that his first days in power suggest that "not everything was done in the interest of the republic and not everything looks well." He has asked the federal Finance Ministry and a local firm to carry out the investigation which will focus on the local Finance Ministry and the use of all extra-budgetary funds. The new leader warned that the republic may go bankrupt when the holders of outstanding promissory notes, within Russia and abroad, start seeking payment.

In attacking those already in office, Aleksandr Chernogorov, the new governor of Stravropol Krai who was elected as a member of the opposition, has run up against the limits of his powers. He could not act on his desire to remove the local procurator, Yurii Lushnikov, because that position is filled at the national level. After Chernogorov denounced the krai's soaring crime rate, the local procurator accused him of trying to place the procuracy under his personal control at the cost of reducing oversight for the implementation of federal legislation, ITAR-TASS reported. The governor's first deputy, Viktor Khorunzhii, replied that if the procuracy does not change the manner in which it conducts its work, the governor would ask the Russian procurator-general to name a new local representative. However, that is an unlikely scenario. On 30 January, the official government newspaper, Rossiiskaya gazeta, published an article praising the Stavropol procurator as a "legendary" crime fighter. (The constitution states that the Russian procurator-general must consult the appointment of the local procurator with local authorities, but in practice, local opinion is ignored.)

Additionally, the Stavropol Duma has blocked the governor's attempt to hold new elections for the Krai Duma and all local offices. On 16 January, the Duma imposed a moratorium on holding all local elections until the end of the year because the krai's electoral commission has still not been paid the approximately 1.5 billion rubles it is owed for conducting the gubernatorial elections. The governor had wanted to hold the krai Duma and local elections on 20 April when the Russian Central Electoral Commission has already set a State Duma by-election to fill the seat that Chernogorov himself vacated when he became governor. The

State Duma election will go ahead as scheduled. In this case, the federal authorities, in the person of Central Electoral Commission Chairman Aleksandr Veshnyakov, backed the governor. Veshnyakov charged on 30 January that any postponement of the elections would be a violation of the population's voting rights, but the Stavropol Duma has yet to back down.

In Bryansk, newly-elected oppositionist Governor Yurii Lodkin has appointed former Governor Vladimir Barabanov as the head of the local Labor Department. Barabanov, who served as a Yeltsin-appointed governor from December 1991 to April 1993 and from summer 1995 to June 1996, had competed against Lodkin in the December elections, winning only 5.5% of the vote. Barabanov told Bryanskoe vremya (#4, 1997) that he does not have the right background for his new position but that the elections are over and it is time "accept what is offered." Lyudmila Bondarenko, the former head of the Labor Department, will now serve as his deputy.

Kursk Governor Aleksandr Rutskoi's personnel policies have been particularly controversial, and the oblast continues to be a special case. He named his brother Mikhail as the deputy director of the oblast Department of Internal Affairs. He has also hired several former members of the Communist nomenklatura from his Derzhava movement and those who supported him in his 1993 clash with President Boris Yeltsin, many of whom carry a local reputation for dishonesty, Trud reported on 4 February. In contrast to the former governor, who had eight deputy governors, Rutskoi has already named 23, including five first deputy governors. The new governor has started to refurbish his offices and remove other agencies from the centrally located government buildings to make room for his aides.

Despite Rutskoi's promises to quickly impose order, there have not been any significant moves to clear the oblast's debts to its pensioners and employees, Trud reported. The paper suggested that Rutskoi is in over his head, and is now resorting to blaming Kursk's problems on the former governor, whom he has accused of wreaking more damage on the region than the Nazi invaders. Additionally, Rutskoi has declared many factory directors responsible for the nonpayments crisis--without providing any proof that they have committed crimes. When the local procurator protested against these strong-arm tactics, the governor announced that he would hand out the address of the procurator's home so that angry citizens who have not received their salaries and pensions can protest under his windows.

Trud concludes that, in the case of Kursk, the idea that electoral democracy would create effective regional government has yet to become a reality. Successes in some of Russia's other 88 regions, however, provide a better example of how to effectively run local administrations. -- Robert Orttung

WHY DO WORKERS IN SARATOV RECEIVE THEIR SALARIES WHEN THOSE IN RYAZAN DON'T? Effective gubernatorial leadership makes the difference, according to Aleksei Chernichenko, writing in Ogonek on 27 January 1997. In both cities, the government ordered the local oil processing facilities to be included in vertically-integrated oil companies. The Ryazan plant became part of the Tyumen Oil Company and the Saratov plant joined Sidanko. The oil companies are controlled by large Moscow banks. In the case of Ryazan, those banks were able to swindle the workers out

of their shares in the company. Now the plant is idle and the workers have no income. In Saratov, however, Governor Ayatskov has made a point of fighting Moscow-based stockholders who abuse Saratov's factories. In his 1 September election, Ayatskov, a Yeltsin-appointee, won more than 80% of the vote. Ayatskov told First Deputy Prime Minister Vladimir Potanin, the former president of Oneksim-Bank which owns a controlling interest in Sidanko, that the oblast would take control of the Saratov oil processing facilities if Sidanko and the Oneksim bank did not make good on their debts to the oblast budget and pay back wages to the employees of the factory. Instead of selling their shares to the Moscow banks, local stockholders banded together and, following the example set by Ayatskov, threatened not to pay any dividends. The local owners also reduced Sidanko's share of the factory from 51% to 38%. In order to prevent the processing plant from being lost altogether, Sidanko had to supply the plant with oil. The refining and sale of that oil provided the workers with their salaries. -- Robert Orttung

KISLYUK CLEANS HOUSE BEFORE GUBERNATORIAL ELECTIONS. Kemerovo Governor Mikhail Kislyuk has fired First Deputy Governor Anatolii Pronin, who was in charge of industry, and Deputy Governor Irina Fedorova, who oversaw social issues, Kommersant-Daily's Yevgenii Bagaev reported on 4 February. Officially, Kislyuk charged that his deputies were not doing their jobs, causing delays in the distribution of pension and salary payments and a 10% drop in production. However, the paper suggests that the timing of the firings was determined by the upcoming gubernatorial elections. Originally set for last fall, the gubernatorial elections will be held some time this spring, although the exact date has not been set.

Fedorova suggested that her removal was intended to give Kislyuk access to state money for his campaign. As evidence, Fedorova pointed out that Kislyuk transferred the oblast pension fund and employment fund, which had formerly been under her control, to his deputy for economics, Sergei Loparev. Fedorova claimed that she would not have made this money available to Kislyuk but that Loparev would.

Fedorova's charges are not the only accusations of financial dirty tricks hanging over Kislyuk. Kemerovo miners have accused him of using money intended to make the mines more efficient for other purposes. The Novosibirsk procurator had been conducting an investigation into the affair, but the Russian procurator-general shut it down, Komsomolskaya pravda reported on 1 February.

President Yeltsin appointed Kislyuk as governor on 27 August 1991 and he has held on to his position despite the enormous changes in the country since then. He seems to be in a better position as the gubernatorial elections draw near since he has finally been able to hold new elections for the oblast legislature, which has constantly criticized him, and his main local antagonist, Aman Tuleev, has joined Prime Minister Viktor Chernomyrdin's government. However, as Kommersant-Daily pointed out, blaming his deputies for the oblast's economic problems is unlikely to win him many votes among an electorate that mainly blames him for the area's problems. The miners, whose strikes played a large role in bringing down the Soviet regime, have found that its successor is no better and are ready for another change. -- Robert Orttung

CENTER-PERIPHERY RELATIONS

SEGODNYA: IZHEVSK MAYOR COMES OUT AHEAD IN CONSTITUTIONAL COURT BATTLE WITH UDMURT STATE COUNCIL. Although both sides have declared victory in the Constitutional Court's 24 January ruling on the case pitting the Udmurt State Council against Izhevsk Mayor Anatolii Saltykov, Segodnya's Aleksei Kirpichnikov on 30 January set the tally strongly in favor of Saltykov. Saltykov was elected mayor of the republic's capital city in 1994, but in 1996, the State Council reorganized the system of local government in the republic, depriving cities and raions of the right to elect local leaders, and replacing them with appointees named by the State Council. Saltykov considered the move a crass violation of legality and took the matter to the Russian Constitutional Court. He earned the support of presidential Chief of Staff Anatolii Chubais's presidential administration which saw the case as an exemplary way to crack down on violations of Russian law by regional authorities. A large number of Duma members also supported the mayor's stand.

The court decision gives the State Council the right to set up local governments according to its wishes but also rejects a number of steps taken by the council. The court declared that the decision to eliminate the elected offices in Izhevsk and 29 other cities was unconstitutional because it was done without the consent of the population. It suggested that local referenda be held to determine the populace's desire as to the most appropriate form of local government. The court also declared that, regardless of the referenda results, the State Council could not appoint city and raion leaders. According to the court, local councils hold this right.

Kirpichnikov believes that the ruling has significant implications for the rest of the federation. Because of the strict limits placed on the Udmurtiyan State Council's power over local government, other federation members do not have any incentive to try to usurp local power. Russian Public TV (ORT) on 2 February warned, however, that with State Council Chairman Aleksandr Volkov intent on interpreting the ruling in his favor it is still too soon to close this case. Indeed, the presidential administration's Rossiiskie vesti on 5 February countered Volkov's efforts to cast the court decision as a victory for the State Council by publishing a Constitutional Court statement blasting the Udmurtiyan media's misrepresentation of its ruling. -- Robert Orttung

MUKHA: A GOVERNOR WHO WOULD RATHER BE A "POLITICIAN" THAN A "STRONG MANAGER." While most governors are trying to present an image of themselves as "strong managers," Novosibirsk Governor Vitalii Mukha has started to publicly describe himself as a "politician," according to Aleksei Kretinin in Novaya sibir on 27 January. Although he has not described his vision in detail, Mukha wants to set up an oblast government that would take care of the day-to-day details of running the oblast, allowing him to focus on larger issues. According to Mukha's scheme, he would be more than just a figure-head leader. He would devote his energies to defining the developmental priorities for the region, determine Novosibirsk's relationship with Moscow, guarantee the security of the population, and provide general oversight for the functioning of the regional government. In short, he would try to play the same role for the oblast that President Yeltsin has set for himself at the national level. According to Kretinin, the alternative is to preserve the current structure and ignore the fact that the oblast is becoming less governable by the day. -- Robert Orttung

SIBERIAN GOVERNORS REJECT 1997 FEDERAL BUDGET. Siberian governors meeting under the auspices of the Siberian Accord in Moscow on 21 January decided to oppose the 1997 federal budget if their amendments are not taken into account. The Duma approved the budget in its fourth reading on 24 January and it now must gain the consent of the Federation Council (made up of regional executive and legislative branch leaders) before going to the president. The Siberian governors believe that governors from the Urals and the Far East will back them as well, Novaya Sibir reported on 27 January. In a letter to both houses of parliament and Prime Minister Chernomyrdin, the governors complained that the budget does not allot enough money to cover back pensions owed for 1996. They claimed that the budget also does not allot enough money to cover wages to state employees and to pay for defense plant orders. -- Robert Orttung

NAZDRATENKO WRITES OPEN LETTER TO ECONOMICS MINISTER. Primorskii Krai Governor Yevgenii Nazdratenko attacked Economics Minister Yevgenii Yasin, who has helped formulate Russia's economic policy for several years and has headed the ministry since October 1994, in an open letter published in Nezavisimaya gazeta on 4 February. Many Moscow politicians, including Yasin, have blamed Nazdratenko for an energy crisis that led to labor unrest in Primore last summer. But the governor said regional leaders were right not to accept all of Yasin's prescriptions. Nazdratenko reminded Yasin of the minister's claim in 1995 that Russia had achieved financial stabilization and would soon experience industrial growth. In fact, the economy continued to shrink in 1996. The governor argued that the government should have embarked on an aggressive program to develop the country's production capacity in mid-1995. Instead, he argued, the "big brains" in the Kremlin decided to focus on lowering inflation, a policy that smothered industry. In addition, Nazdratenko claimed that the ruble corridor, introduced in the summer of 1995, had severely damaged the mining industry, which earns a considerable proportion of the country's hard currency earnings through its exports. (The ruble corridor worked to keep the price of exports high, making them less competitive on foreign markets.) If not for the wise actions of a few "professionals" in the cabinet, Nazdratenko argued, Yasin's policies would have ruined other sectors as well. In conclusion, Nazdratenko said the time had come for Yasin to admit that he had failed to manage the economy, and that not one of his predictions had come true. -- Laura Belin

SOCIAL ISSUES

GOVERNMENT ALLOCATES FUNDS TO PAY CHORNOBYL CLEAN-UP WORKERS IN TULA OBLAST. Finance Minister Aleksandr Livshits pledged on 4 February that the government would ensure the payment of pension arrears to 1,300 Chernobyl clean-up workers in Tula Oblast, NTV reported. The same day, First Deputy Prime Minister Viktor Ilyushin said Prime Minister Chernomyrdin had allocated 40 billion rubles to cover the debts, while former Security Council Secretary Aleksandr Lebed dispatched 18 metric tons of provisions to the families of a group of the workers on a hunger strike to protest the arrears.

About 60 people from the Tula region who took part in clean-up operations at Chernobyl after the 1986 nuclear catastrophe went on hunger strike on 16 January to protest the failure of the local

authorities to pay their pensions and compensation payments for the damage to their health from radiation exposure. Some had received no money since March, when legislation increasing their benefits went into effect.

Following the payment of part of the debt, the hunger strikers changed their protest to a sit-in, but on 27 January about 35 of the former "liquidators" began a new hunger strike. Miners and ordinary soldiers who participated in the clean-up operation also demanded that legislation be enacted to end the practice of paying higher benefits to officers, according to ITAR-TASS and AFP.

The plight of Tula's Chernobyl victims received renewed media coverage on 1 February, when 16 of the strikers announced that they would refuse water and medicine as well as food. With their health already badly damaged by the effects of radiation contamination and the hunger strike, there was a grave danger that a number would not survive more than a few days. According to an NTV report late on 4 February, however, the protesters began once again to accept liquids and medicine following the government announcement that their money was on its way. They are, however, continuing their hunger strike until the money arrives. -- Penny Morvant

NEW ALCOHOL REGULATIONS HALT OUTPUT AT NIZHNII NOVGOROD DISTILLERIES. New federal regulations requiring all domestically produced vodka and other strong alcoholic drinks to bear excise stamps are hampering the production of spirits in Nizhnii Novgorod Oblast, Segodnya reported on 3 February. The stamps, which show that excise duties have been paid, are printed in Moscow and then distributed to regional tax services. In Nizhnii Novgorod, a lack of stamps has brought production to a standstill at three vodka factories, while another 13 factories and three enterprises are on the verge of halting operations. Distillery managers also complain that fixing the stamps to the bottles is a time-consuming process that reduces productivity. The general director of the Nizhnii Novgorod Champagne Factory, for example, said that the stamps have to be added by hand as his factory cannot afford to spend \$150 on machinery to automate the process. The fall in the output of the oblast's distilleries does not bode well for the regional budget, which received 30 billion rubles in taxes from the sector in December 1996. Ironically, the aim of the new federal regulations is to increase revenue from the production and sale of alcohol by making it more difficult for manufacturers to conceal part of their output from the Tax Service and for retailers to sell drinks produced in underground distilleries. -- Penny Morvant

TENSION RISES AT VORKUTA MINE. Tension is rising at Russia's largest coal mine, the Vorgashorskaya pit in Vorkuta in the Republic of Komi. Responding to a strike by more than half the workforce, the mine management is threatening to dismiss many of the workers and close part of the mine temporarily, ITAR-TASS reported on 3 February. The protest began on 16 January, when 2,000 of the 3,600-strong workforce walked out in protest against the management's failure to pay their wages since August 1996. According to Pravda-5 (no. 4), the miners also called for the resignation of President Yeltsin and the government. The management has now promised to pay 12.5 billion of the total 45 billion ruble debt by the end of February and to keep up-to-date with this year's wage and benefit payments. It has pledged to pay off the rest of the debt

gradually as delinquent enterprises settle their debts with the mine. If the workers refuse the offer, they run the risk of being dismissed. The massive problem of inter-enterprise debt has meant that even profitable concerns like the Vorgashorskaya joint-stock company are unable to pay their workforce regularly. -- Penny Morvant

SAKHALIN CHILDREN JOIN HUNGER STRIKES TO FORCE PAYMENT OF THEIR PARENTS' SALARIES. Children have become the latest weapons as Sakhalin workers battle to force the administration to pay their salaries. Hunger-striking medical workers in the Sakhalin Central Raion Hospital ended their December hunger strike when they received pay for November, Sovetskii Sakhalin reported. Several of their children went without food for one day in an effort that many considered an attempt to blackmail the administration into paying. The medics are not content with the results, however, since they recognize that a one-time payment is not the same as a regular disbursement of their salary. The wives of the miners in municipal mine Arkovo are also threatening to begin a hunger strike along with their children to ensure that their husbands are paid. The paper pointed out, however, that the city had no money to give them and that even their extreme tactics were not likely to be successful. -- Robert Orttung

ECONOMIC DEVELOPMENTS

PRIVATE SHIPS PRONE TO SINK IN FAR EAST. Private shipping companies are most likely to lose ships in the Far East because they have only limited amounts of money to buy vessels and must make do with old equipment that is in poor repair. At least four private ships sank during 1996 and early 1997, posing a considerable risk to Far East sailors, many of whom have died in the accidents, according to Viktoriya Kiseleva writing in Argumenty i fakti's regional supplement Dalinform (#4). The Ministry of Sea Transportation registers all ships in Moscow without inspecting the condition of the vessel or the qualifications of the crew. Local authorities, who could check out the ships and crews, have requested the right to issue licenses, but the Moscow ministry does not want to give up the money it receives from licensing fees. Small companies pay tens of millions of rubles for their licenses, while permits for larger ships can run to tens of billions. Only 50 of the existing 200 private firms actually have licenses, the newspaper reported. Foreign companies like to use unlicensed firms since they offer extremely low rates. Larger companies like to create subsidiaries to employ their older ships because this practice allows them to simultaneously get rid of outdated equipment and make money from it. -- Robert Orttung

KAMAZ TO TRANSFER EQUITY STAKE TO TATARSTAN'S GOVERNMENT. A shareholders' meeting of the heavy truck-manufacturing giant KamAZ has approved the decision to transfer a 30% equity stake in the company to the government of Tatarstan, Segodnya and Finansovye izvestiya reported on 3 and 4 February. The transfer is likely to take place in March or April 1997. The chairman of KamAZ's board of directors, Nikolai Bekh, said that the step was compensation for the financial support Tatarstan's government intends to give to the company in 1997. In October 1996, KamAZ was included on the federal government's list of major companies that had failed to pay their taxes and were facing bankruptcy. The Tatar government prevented the bankruptcy by agreeing to pay the company's 51 billion ruble (\$9 million) tax debt. Some industry experts, however, give another reason for the share transfer. They say

that these shares were initially set aside for the U.S. firm Colberg, Cravis, Roberts & Co, which held options to purchase KamAZ equities if it could raise \$3.5 billion worth of credits for KamAZ by the year 2000. The U.S. firm allegedly realized that it would be unable to raise this money for the debt-ridden company, which is also dealing with a severe drop in the demand for its products. In 1996, KamAZ sold only 20,737 heavy trucks, or 14% of its capacity. Furthermore, "real" money accounted for a mere 1%-1.5% of sales revenue, with the rest received in money surrogates or through barter deals. -- Natalia Gurushina

JAPAN OFFERS LOAN TO TIMBER INDUSTRY IN THE FAR EAST. The Japanese government will provide Russia with a \$100 million credit for wood harvesting in the Far East, ITAR-TASS reported on 4 February. The loan will be repaid with supplies of 3 million cubic meters of Russian timber to Japan over five years. The money will be available in the form of loans from Japan's Export-Import Bank. Japanese trade and engineering companies participating in the realization of the credit agreement are also likely to get part of the \$500 million Japanese humanitarian aid package, which was frozen in 1991 and unlocked in November 1996. Meanwhile, Russian financial authorities have expressed concern that Russian timber exporting companies are concealing their income from tax collectors. A spokesperson for the far eastern tax service said that timber exports to Japan topped 450,000 cubic meters in 1996, a 36% increase over the previous year. A large proportion of this amount was sold through barter deals which are often used as a way of concealing export revenue and taxes from authorities. -- Natalia Gurushina

NENETS AUTONOMOUS OKRUG INSISTS ON REVISING THE TERMS OF TIMAN-PECHORA PRODUCTION SHARING AGREEMENT. The Nenets Autonomous Okrug administration is insisting on a revision of the terms of the production-sharing agreement to develop 12 oil reserves on the territory of the Timan-Pechora oil field, Segodnya reported on 4 February. The Timan-Pechora Company, an international consortium that is developing the field, was created in April 1994. It includes the U.S. firms Texaco (24%), Exxon (24%), and Amoco (16%), and Norway's Norsk Hydro (16%). In 1995, the Russian firms Rosneft and Arkhangelskgeoldobycha (AGD) joined it, receiving a 20% stake in the project. The Nenets administration argues that the 20% share is too low to provide for Russia's national interests in the project. It also objects to the consortium's plans to receive the first profits only after 12 years of developing the field. The Timan-Pechora production-sharing agreement is supposed to be assessed by the Russian government later in February. -- Natalia Gurushina

Compiled by Robert Orttung

REGIONAL PROFILE: REPUBLIC OF TATARSTAN

President Mintimer Shaimiev

Shaimiev is among those former regional party leaders who have managed to stay in power throughout the post-Soviet period. Having served as first secretary of the regional Communist Party until 1990 and chairman of the Supreme Soviet of the Tatar ASSR in 1990-1991, Shaimiev was elected as the first president of the Republic of Tatarstan in June 1991. His increasingly nationalist attitudes resulted in his refusal to sign the Federation Treaty in 1992. Instead, a referendum was held in which more than 60% voted for the republic's sovereignty. Against the background of the Chechen conflict, President Yeltsin's government adopted a compromising line toward Tatarstan. In a treaty signed in February 1994 by the Tatar and Russian governments, Tatarstan gained full ownership rights over its oil resources and industrial companies, the right to retain most tax revenues, and to pursue an independent foreign economic policy. After relations between Shaimiev and Yeltsin improved, Shaimiev backed Prime Minister Chernomyrdin's pro-government bloc Our Home Is Russia and Yeltsin in parliamentary and presidential elections, respectively. On the other hand, Shaimiev, who himself was re-elected to a five-year-term in March 1996 with more than 90% of the vote, overtly criticized Moscow's military approach in the Chechen conflict.

In economic policy, Shaimiev has rejected any kind of shock therapy. He has preserved price regulation and high subsidies to large state enterprises, and carried out privatization at a very slow pace. At the same time, Shaimiev has succeeded in attracting considerable foreign investment, mainly in the oil-extracting industry. Also noteworthy is a joint venture with General Motors for an auto-assembly plant. Shaimiev's lobbying prevented the Tatar truck producer KamAZ from being pushed into bankruptcy.

Brief Overview

Tatarstan is located in the east of European Russia at the confluence of the Middle Volga and the Kama rivers and neighbors Bashkortostan to the east and Chuvashiya to the west. Plains cover most of the territory, while the eastern lands rise with the Ural foothills. About one-fifth of the area is forested. Tatarstan has a highly developed industrial base and a stable agricultural sector. Major industries are machine-building, chemical and light industry, and automobile construction. Tatarstan's main wealth lies in its huge oil fields.

The Tatars, a Turkic-speaking people, who constitute the 2nd largest ethnic group within Russia, live in a widespread diaspora throughout the former Soviet Union. Only 25% of all Tatars live in Tatarstan, accounting for about half of the republic's population. Inhabiting the Eurasian steppes since ancient times, the Tatars built the Khanate of Kazan, one of the political units that emerged from the Mongol empire, which ruled much of European Russia until the 16th century.

Basic Facts

1995 Population (est.): 3,754,800 (2.53% of Russian total)
Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 3.21%
Agricultural production as percentage of all Russian production (1994): 3.51%
Average personal income index in July 1995: 71 (Russia as a whole: 100)
Price basket index in July 1995: 79 (Russia: 100)
Average back wages owed per person (September 1995): 68,300 rubles (Russian average: 37,100)
Urban population: 73.4% (Russia overall: 73.0%)
Student population (1993): 170 per 10,000 (Russia overall: 171/10,000);
Pensioner population (1994): 23.5%
Percent of population with higher education (1989 census): 9.5% (Russia overall: 11.3%)
Percent of population working in (1993): Industry: 31.2% (Russian average: 29.9%); Agriculture: 14% (12.8%); Trade: 8.6 % (9.1%); Culture: 12.5% (13.6%); Management: 1.4% (2.3%)
Number of telephones per 100 families (1993): in cities: 28.2 (Russian average: 41.5); in villages: 10.4 (17.2)
According to a 1995 survey by Bank Austria, the republic is 63rd among Russia's 89 regions for investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 38.34%/61.45% (first round/second round)
Zyuganov: 38.1%/32.31%
Lebed: 7.38%, Zhirinovskiy: 2.58%, Yavlinskii: 6.9%
Turnout: 73.74%/77.47% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Our Home Is Russia: 28.62%
Communist Party of the Russian Federation: 15.42%
Communists-Workers' Russia: 7.35%
Muslim Movement NUR (Light): 5.00%
Liberal Democratic Party of Russia: 4.84%
Yabloko: 4.07%, Women of Russia: 3.70%
Party of Workers' Self-Government: 3.37%
In single-member districts: 1 Agrarian Party of Russia,
3 independent, 1 Our Home Is Russia
Turnout: 59.21% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" - 71.92% "No" - 24.18%

1993 Parliamentary Election

Russia's Choice: 22.40%
Liberal Democratic Party of Russia: 22.00%
Yabloko: 11.55%
Communist Party of the Russian Federation: 9.38%
Party of Russian Unity and Concord: 8.54%
Women of Russia: 7.66%
Democratic Party of Russia: 5.42%
Agrarian Party of Russia: 2.12%
From electoral associations: 1 Yabloko
In single-member districts: 3 Party of Russian Unity and Concord, 1
Russia's Choice, 1 New Regional Policy
Turnout: 13.43% (Russia overall: 54.34%)

1991 Presidential Election

Yeltsin: 44.97%, Ryzhkov: 16.68%, Zhirinovskiy: 9.37%
Tuleev: 11.54%, Makashov: 5.77%, Bakatin: 4.53%
Turnout: 36.59% (Russia overall: 76.66%)

Sources: Goroda Rossii [Cities of Russia], Moscow: Bolshaya Rossiiskaya Entsiklopediya, 1994; Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections], Moscow: Yuridicheskaya Literatura, 1995; Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown], Moscow: Panorama, 1996; Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995], Moscow: Central Electoral Commission, 1996; S.A. Nagaev and A.Woergoetter: Regional Risk Rating in Russia, Vienna: Bank Austria, 1995.

Compiled by Silja Haas and Anna Paretskaya

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PATTERNS OF POLITICAL DEVELOPMENT

TULA ELECTS KORZHAKOV TO DUMA

Former Presidential Security Service chief Aleksandr Korzhakov was elected to the State Duma from a Tula Oblast district on 9 February. He received more than 26% of the vote and finished ahead of nine other candidates. Korzhakov will replace Aleksandr Lebed who resigned his seat in the parliament after being appointed Security Council secretary in June 1996.

Many experts believe that Korzhakov owes his victory to Lebed, who personally came to Tula last fall to introduce Korzhakov as his successor. Lebed, who is very popular in the region, was elected to the Duma in December 1995 with 45% of the vote and won 24% during the 1996 presidential poll. His short-lived alliance with President Boris Yeltsin does not seem to have hurt his standing with the public in Tula. Although he did not personally campaign for Korzhakov beyond the autumn endorsement, and even began to distance himself from the former presidential bodyguard, analysts agree that his initial endorsement was enough to persuade voters to cast their ballots for Korzhakov.

Protest voting also played a large role in the outcome. The constituency is largely made up of elderly people whose overall economic burden is exacerbated by chronic pension and wage arrears. These voters are relatively disciplined and made up a large share of the 43% who came to the polling places. They tend to cast ballots for those opposed to the ruling elite. Ironically, the voters were likely to be pleased that their new deputy is familiar with policy-making at the highest level and could lobby for the region's interests among his old network of contacts.

Nevertheless, Korzhakov's victory was not as convincing as it could have been. His main rivals were Eduard Pashchenko, a local activist from Yegor Gaidar's Russian Democratic Choice, and world chess champion Anatolii Karpov, who was backed by both the opposition and the local branch of the pro-government Our Home Is Russia movement. They received about 17% and 16% of the vote, respectively. The other seven participants in the race received less than 20% all together. Korzhakov's victory would not have been so easy if there were fewer candidates for the seat. If either Pashchenko or Karpov had withdrawn in favor of the other, the remaining candidate could have defeated Korzhakov. Additionally, if the opposition had agreed to endorse Karpov as its sole candidate, instead of supporting him and another two local activists from the Communist Party of the Russian Federation (KPRF) and the Russian Communist Workers Party (RKRP), he would have done better and might have defeated Korzhakov, albeit with a small margin.

Korzhakov's ability to turn his notoriety and claims that he has mountains of incriminating evidence about the high and mighty into a seat in the national legislature demonstrates once again that Russian parties remain as disorganized as they were at the beginning of the decade, when political reforms were just beginning. -- Anna Paretskaya in Moscow

TULA GOVERNOR HOPES TO WIN POPULAR MANDATE

Just as Korzhakov is heading to the Duma, Tula Oblast Governor Nikolai Sevryugin has been registered as a candidate in the 23 March gubernatorial election, Kommersant-Daily reported on 8 February. He is the second hopeful to have officially joined the campaign. Three days earlier, the electoral commission registered businessman Ivan Chenych. Another 10 aspirants are now collecting the nomination signatures required for registration. According to Segodnya on 10 February, Sevryugin's chances of winning are small. He has served as a presidential appointee for more than six years and most observers believe that the dire economic situation in the region will most probably encourage people to vote for opposition candidate and local son Vasilii Starodubtsev. Starodubtsev, now the chairman of the Agrarian Union of Russia, was among the coup-plotters of August 1991 and is very popular in Tula as he now heads one of the region's most productive collective farms. Besides, he may well gain the support of the presidential administration, which will substantially boost his chances, according to Segodnya. -- Anna Paretskaya in Moscow

UDMURT AUTHORITIES CONTINUE TO IGNORE CONSTITUTIONAL COURT DECISION
Despite the Constitutional Court's 24 January ruling that Udmurtiya's law on state institutions is unconstitutional, republican authorities continue to implement its provisions. The court decreed that each federation subject can set up a system of local government according to its wishes. However, it rejected certain steps taken by the Udmurt State Council, including the abolition of popularly elected local institutions, as violating federal legislation (see Russian Regional Report, 5 February 1997). Nevertheless, the republican authorities continued to interpret the ruling in their favor, even after the court issued a clarification, Kommersant-Daily reported on 7 February. Following the court ruling, State Council Speaker Aleksandr Volkov persuaded local deputies in Votkinsk, the republic's second largest city, to resign in accordance with republican law. The powers of the Votkinsk legislature were to be taken over by a new United Council, to be comprised of the local deputies and members of the republic's State Council elected from the city. However, the Constitutional Court ruled that establishing such united councils is illegal and that the city therefore has no legitimate representative body.

State Duma deputies have expressed concern about the situation in Udmurtiya. They believe that the State Council is deliberately misinterpreting the court's decision. In the meantime, the federal government has no mechanism for implementing federal law within federation subjects. To rectify the situation, the Duma Committee on Local Self-Government has started working out a bill designed to ensure that regional laws comply with federal legislation. According to the provisions of the draft bill, the president would have the authority to disband a regional legislature and call new elections if the local legislature failed to comply with a decision of the Constitutional Court. If a regional executive rejects court orders, the president would also have the right to call early elections. If the president must call elections three times in the same region, he could ask for the Federation Council's permission to introduce federal rule in that region for a period up to three years. These measures, according to the bill's authors, will discourage local authorities from breaking federal laws. Under current legislation, the federal government cannot remove recalcitrant local officials. -- Anna Paretskaya in Moscow

LUZHKOV HELPS MOSCOW OBLAST GOVERNOR SECURE OFFICE. Moscow City Mayor

Yurii Luzhkov and Moscow Oblast Governor Anatolii Tyazhlov have signed an agreement to increase the oblast's provision of food to the city in 1997, Segodnya reported on 11 February. Luzhkov announced that the oblast will now provide about 90% of the city's food supply. However, the newspaper argues, some products that are shipped to Moscow from other regions are often cheaper and of better quality than those from Moscow, indicating that the agreement makes more sense politically than economically for Luzhkov.

Last week, agricultural workers in Moscow Oblast started to collect signatures for a petition recalling Tyazhlov, who was elected in December 1995 with 43.7% of the vote, and his regional agricultural minister, Yurii Korolev, Nezavisimaya gazeta reported on 7 February. The petition drive was launched at the First Peasants' Assembly on 29 January, according to Petr Ryabtsev, leader of the Agrarian Party regional branch. The agricultural workers believe that the two officials are responsible for a the deep agricultural crisis in the region. Russian Agriculture Minister and Deputy Prime Minister Aleksandr Zaveryukha has also criticized the Moscow Oblast agricultural sector's poor performance. The agreement between the city and the oblast is aimed at neutralizing the agricultural workers' dissatisfaction with the oblast leadership. Luzhkov hopes to use this favor for Tyazhlov to win control over the forests surrounding Moscow, a goal he has long pursued.
-- Anna Paretskaya in Moscow

DAGESTANI ELITE EXAMINE REPUBLIC'S DEVELOPMENT. Speakers at a recent conference on Dagestan's perspectives entitled "Dagestan on the eve of the millennium: priorities for stable and secure development" blamed a variety of factors for the republic's catastrophic economic problems. According to a summation of the conference published in Makhachkala's Novoe delo on 17 January, Duma member Ramazan Abdulatipov and republican Prime Minister Abdurazaka Mirzabekov concentrated on such objective conditions as the federal government's social and economic policies and crime. Economist Vladimir Aliev blamed the republican government's failure to adopt market reforms more boldly. He pointed out that 56% of the republic's industry and 88% of its agriculture remains in state hands and the government has done little to establish a banking system or stock and real estate markets. All the speakers agreed that crime is the main obstacle to economic development and that it is impossible to consider undertaking any serious business deals in the republic without reliable armed protection.

Aliev argued that pure liberalism is impossible because of the enormous difference in living standards between the mountainous and flat regions. The depressed mountainous areas require a great degree of state intervention, he said. All agreed that Dagestan needs an infusion of capital from beyond its borders to develop. Unfortunately, the Russian government does not have the resources to invest and foreigners are frightened off by the unstable situation in neighboring Chechnya and the high levels of crime. Some conference participants suggested that rich Dagestanis be required to invest in the republic without having to say how they earned their money. Others suggested relying on the Muslim consciences of Dagestani industrialists to ensure that they pay their taxes.

Abdulatipov and Mirzabekov stressed that the various peoples of Dagestan should come together and support the republic's economy out of a sense of Dagestani patriotism. But Nationalities Affairs and Foreign Ties Minister Magomedsalikh Gusaev disagreed with this approach, stressing the need to develop the national and cultural autonomy of the

various Dagestani peoples. -- Robert Orttung

REGIONAL COMMUNICATIONS WORKERS BLOCK TRANSMISSIONS OF MOSCOW-BASED MEDIA. To protest long-overdue wages, communications workers in Kurgan Oblast on 10 February shut off transmissions of Russian Public TV (ORT), Russian TV (RTR), and state-run Radio Mayak, ITAR-TASS and RIA-Novosti reported. Anatolii Nazeikin, a local trade union leader, said national electronic media outlets owed 150 trillion rubles (\$27 million) to the Kurgan transmission center. These debts have left communications workers in Kurgan without their salaries for months. The transmissions of the private networks NTV and TV-6, which have recently paid their debts in Kurgan, were not interrupted on 10 February, Nazeikin said.

Communications workers in Murmansk, Omsk, and Krasnoyarsk oblasts have adopted similar tactics in recent months, and a nationwide protest to curtail broadcasts of Moscow-based television networks and radio stations is planned for 17 February. Vladimir Mashin, director of the Bryansk Oblast transmission center, told Bryanskoe vremya (no. 6) that the protest will not affect local broadcasts of private networks, including NTV, which, as in Kurgan, have paid what they owe for transmission services. -- Laura Belin

SOVETSKAYA ROSSIYA OFFERS ADVICE FOR NEW GOVERNORS. Although candidates from the "patriotic opposition" won gubernatorial seats in about a third of the regions that held elections in 1996 and critics of the current regime control many regional legislatures, new tactics are needed if the "red governors" are to change Russia's economic policies and become an effective opposition force, Sergei Kara-Murza argued in the 30 January edition of Sovetskaya Rossiya. He noted that opposition-minded governors are somewhat constrained by circumstances; they cannot set up an "iron curtain," behind which they can carry out completely different policies from those set out by the federal government. However, they have some room to maneuver, and with wise management, could revive local industry and provide a better social safety net in their own regions.

Kara-Murza argued that governors should band together to form "freed economic zones" (a play on the concept of "free economic zones" favored by some market reformers). They would find covert support within the state bureaucracy among "patriots" who do not believe in the current economic policies but are nonetheless forced to carry out the orders of Presidential Chief of Staff Anatolii Chubais. The Kremlin will denounce any deviation from its political line as "regional egoism" or separatism, Kara-Murza warned, and governors will be pressured by "the Chubais group" not to alter economic policies. He called on new governors to show courage and not to betray their voters.

The second major task for the governors, according to Kara-Murza, is to "establish a dialogue" with residents, in order to make the public understand the true state of affairs in the country. The opposition victories in the regional elections will provide critics of the current regime with more access to regional television. Once people are forced to "stare truth in the face," they will ignore the scare tactics used by the Moscow-based media to keep the public from supporting new policies, he argued. Governors must keep the message simple and address the issues of most concern to citizens: bread, heating, security, children, and the preservation of an independent Russia. Kara-Murza estimated that it would be many months before the majority would accept the opposition's message, so governors must start spreading the word now in order to implement all its new programs in time for the winter of 1997/1998. -- Laura Belin

CENTER-PERIPHERY RELATIONS

KEMEROVO OBLAST TO BE DISMEMBERED?. Speaking on a local TV program, Kemerovo Oblast Governor Mikhail Kislyuk announced that the oblast will soon be split into three parts that will be attached to Altai Krai, and Novosibirsk and Tomsk oblasts, Izvestiya reported on 11 February. Regional observers are divided over whether to take the announcement at face value.

On the one hand, many in the region believe that the governor may not be exaggerating. If the statement is true, the upcoming partition could explain why Moscow has been continually postponing the regional gubernatorial elections (while a majority of Russia's regions have already elected their executives and the rest are going to do so in the near future, elections for Kemerovo Oblast have not been scheduled yet).

There are many additional reasons why some politicians would see the division of Kemerovo Oblast as being in their interest. By partitioning the oblast, the federal government might hope to mitigate the oblast's perennial problems. Kemerovo has a long tradition of conflict between the regional executive and legislative branches and faces almost continuous social unrest, particularly protests by miners over wage arrears and restructuring the mining sector. Moreover, the recently elected leader of the Siberian Accord regional association, Novosibirsk Governor Vitalii Mukha, may want to revive his idea of creating a Siberian Republic by merging the regions that compose the association. However, the association's deputy chairman, Tomsk Oblast Governor Viktor Kress, dismisses the possibility of partitioning or merging any of the Russian Federation's regions. (According to the constitution, such border changes are possible with the mutual consent of the federation subjects affected.)

On the other hand, some in the oblast believe that the unpopular Kislyuk is deliberately spreading a false rumor to boost his electoral chances. Although the gubernatorial election has not been called yet, the sitting governor has already started his electoral campaign (see Russian Regional Report, 5 February 1997). Kislyuk's statement may force the central authorities to schedule a gubernatorial poll with short notice. He may then use the voters' fear of the oblast's partition as a campaign ploy, particularly if the presidential administration endorses one of his opponents, as is likely.

In the meantime, some experts interested in restructuring the Russian Federation to improve center-periphery relations consider enlarging federation subjects by joining several of them together as the method most likely to succeed. Reducing the number of governors and regional legislative leaders would presumably make it easier for Moscow to reach agreement with the regional elite. Many believe that regions will independently merge into larger units defined by the boundaries of regional economic associations like the Siberian Accord. Advocates of this position point out that the governors of Leningrad Oblast and St. Petersburg have already expressed an interest in integrating their regions by the year 2000. -- Anna Paretskaya in Moscow

ETHNIC CONFLICT AND REGIONAL SEPARATISM

COSSACKS BACK IN NATIONAL SPOTLIGHT. Deputy Security Council Secretary Boris Berezovskii's 15 January proposal to arm the Cossacks has put them back in the spotlight. There are conflicting images in the public mind of just who the Cossacks are today. To many, the group conjures up

pictures of the savage fighters who defended the czarist borders. However, locals who live near them often think of them as old men who like to dress up in historic uniforms and "play war" on school play grounds. Nevertheless, both President Yeltsin and the Communists have tried to win their political backing.

Izvestiya (6 February) reporter Besik Urigashvili recently traveled to Pyatigorsk to meet the Terek Cossacks. Cossack leaders there told him that Russia's main problem was the absence of a strong, central government. They believe that the current government is controlled by the Jews. (One Cossack leader said that they voted for Yeltsin because he sent troops into Chechnya, but now realize that it was a mistake, since he will not protect Cossack interests.) Additionally, they assert that the Caucasus peoples are preparing fighting units in Adygeya, Dagestan, and Kabardino-Balkariya to push ethnic Russians from the south of the country. The Cossacks include among their demands the removal of the Naur and Shchelkov raions from Chechnya and their inclusion in Stavropol Krai (Moskovskie novosti, 2-9 February). These regions were included in Chechnya in 1957, at a time when their population was predominantly Russian.

The Cossacks are convinced that they could secure their goals with 50,000 armed men. Even if they were given weapons, however, the modern Cossacks would not make much of a fighting force. Most have no formal military training and would likely not fare better in real combat than the Russian troops who lost the war in Chechnya (See St. Petersburg Times 3-10 February). The Terek Cossacks hate former Security Council Secretary Aleksandr Lebed, whom they accuse of selling them out, and now support extremist Russian National Unity leader Aleksandr Barkashov as Russia's next dictator. -- Robert Orttung

Part II

SOCIAL ISSUES

ANOTHER LIBRARY BURNS IN ST. PETERSBURG. An early morning fire on 5 February destroyed some 3,000 of the 5,092 books held in the Pulkov Observatory library, including irreplaceable editions dating from the 16 century, Sankt-Peterburgskie vedomosti and AFP reported on 6 February. The books were not insured, so the financial loss is valued at only 20 million rubles (\$3600). The fire apparently started in several sections of the library at once, leading investigators to suspect arson. On 4 February, unknown assailants attempted to break into the library, which lacks any sort of security system. A fire in the Leningrad branch of the USSR Academy of Sciences library in the 1980s also destroyed many invaluable books. -- Robert Orttung

ENVIRONMENTAL GRANT FOR SAKHA. Under an agreement signed on 11 February, the Swiss-based World Wide Fund for Nature (WWF) will allocate 500,000 Swiss francs to fund conservation projects in the Republic of Sakha (Yakutiya), Reuters and AFP reported. The republic, which covers a fifth of the Russian Federation, has 600,000 lakes, thousands of rivers, and is home to endangered species such as polar bears and Siberian cranes. It suffered severe environmental degradation in Soviet times, when it was plundered for its diamond, oil, and gold reserves. Diamond and gold processing, for example, have polluted the Vilyui River with traces of thallium and other toxic chemicals. In the 1970s and 1980s, the republic experienced 12 underground nuclear explosions, seven of which had a yield equal to or greater than that of the bomb dropped on Hiroshima, according to Sakha officials. Dead forests now surround the explosion sites, and the permafrost is radioactive. Sakha President Mikhail Nikolaev said that his administration wants to improve the situation and is creating a system of nature reserves protected by the government. -- Penny Morvant

ST. PETERSBURG POLICE CHIEF PURGES ECONOMIC CRIMES DEPARTMENT. Anatolii Ponidelko, the new head of the St. Petersburg Administration for Internal Affairs (GUVVD), has dismissed the chief of the city's Economic Crimes Administration (UBEP) and a number of other senior UBEP officials, Segodnya reported on 11 February. The UBEP's remaining personnel have been suspended pending a GUVVD investigation. Ponidelko, who was appointed on 4 December 1996, attributed the purge to rampant corruption within the department. Since taking office, Ponidelko has also fired many senior GUVVD officers for abuse of office. The catalogue of crimes committed by police in St. Petersburg include misappropriation of state property, the resale of confiscated cars, involvement in the distribution of alcohol produced in underground distilleries, and collaborating with local criminal gangs. Some of the dismissed officers had reportedly managed to acquire multiple deluxe apartments and dachas on official salaries of no more than 1 million rubles (\$180) a month. Ponidelko's "clean-hands" campaign is supported by St. Petersburg Governor Vladimir Yakovlev, who was elected last year. Ponidelko is not, however, on such good terms with new Leningrad Oblast Governor Vadim Gustov and has threatened to sue the oblast administration for failing to pay debts of 27 billion rubles to the force. In order to improve police funding, Ponidelko is lobbying for a presidential decree similar to the one issued last summer on fighting organized crime in Moscow. In addition to giving the capital's police new powers, that edict provided

for increased funding and higher manpower levels. -- Penny Morvant

CITY-WIDE STRIKE IN SEVERODVINSK. Thousands of workers in Severodvinsk, Arkhangelsk Oblast, took part in protests on 6 and 7 February to demand the payment of overdue wages and benefits, ITAR-TASS and Nezavisimaya gazeta reported. The protest was spearheaded by workers at the Russian State Center for Atomic Ship-building, who went on strike over the government's failure to pay for state defense orders totaling more than 1 trillion rubles. The ship-builders also called for the resignation of the government and president. Other workers in the city joined the strike, and it had the support of local officials.

Severodvinsk, which has a population of about 250,000, is highly dependent on the naval yards for revenue. According to Mayor Aleksandr Belyaev, city budget receipts totaled only 240 billion rubles last year, while at least 500 billion were needed to cover vital expenditures, such as paying for fuel supplies. He said that 63,000 retirees have not received their pensions since November, that child allowances have not been paid since July, and that the city's 10,000 registered unemployed have been without benefits for a year.

A senior trade union official in Severodvinsk warned on 11 February that the ship-builders' strike will resume if urgent measures are not soon taken to improve the situation. He said the wage debt alone totals 360 billion rubles, with workers receiving daily rations of bread in lieu of their pay. Noting that the workers are hungry and desperate, he cautioned that the protests could even lead to rioting. -- Penny Morvant

ECONOMIC DEVELOPMENTS

REGIONAL BANKING DEVELOPMENTS. In the wake of the government's decision in January to cut the number of commercial banks authorized to service budgetary funds from nearly 100 to 13, regional authorities are making their own attempts to rationalize the use of financial resources in regions and speed up transfers of money from the regional budget to recipients. The administration of the Nizhnii Novgorod Oblast has made a drastic decision to abolish the institution of authorized banks all together, Segodnya reported on 6 February. Instead, the local government intends to sponsor competitions among banks to see which will provide the best service for the lowest prices. Individual competitions will be held for handling financing for each regional and federal program (i.e. paying pensions, teachers' salaries, etc.). Both local banks and regional branches of their big city counterparts will be allowed to participate in these contests. The administration of North Osetiya, however, has decided to concentrate temporarily free funds from the local budget in the Bank of Regional Development, whose creation had been approved by the North Osetiyan parliament on 6 February, Kommersant-Daily reported on 7 February. The government has also agreed to contribute 50% of the new bank's equity capital. -- Natalia Gurushina

FISCAL EXPERIMENT IN TVER AND NOVGOROD OBLASTS. The State Duma Budgetary Committee has approved a plan aimed at improving tax collection in the Tver and Novgorod oblasts, Kommersant-Daily and ITAR-TASS reported on 7 and 11 February, respectively. Under the new mechanism, numerous taxes on land and buildings will be replaced with just one tax on real estate. The new tax's rate will depend on a property's market value, which will be determined by special commissions subordinate to local authorities. The local authorities will also define real estate tax rates and their

upper limit. The experiment is expected to increase revenue for the local budget by simplifying the system of collecting taxes. Deputy Finance Minister Sergei Shatalov said the two regions were chosen for the fiscal experiment because they each have a well-developed and progressive tax system. A recent study by the World Bank also said that the investment climate in Novgorod Oblast is one of the most attractive for foreign investors in Russia. -- Natalia Gurushina

MORE PROBLEMS WITH THE "NAKHODKA" FREE ECONOMIC ZONE. Primorskii Krai Governor Yevgenii Nazdratenko slammed South Korean companies for demanding extra tax benefits in order to begin construction work on a technological park in the "Nakhodka" free economic zone, ITAR-TASS reported on 7 February. Nazdratenko said that the existing tax benefits in the zone comply with international standards and noted that the Russian government has allocated 88 billion rubles in the 1997 federal budget for the construction of a power station and a system of water supply for the park. According to Nazdratenko, in 1996, Russia's net contribution to the South Korean economy totaled \$2.5 billion, largely as a result of placing contracts for the construction and repair of merchant ships with Korean companies. Meanwhile, the administration of Vladivostok has announced its intention to set up its own free economic zone in order to attract more investment and stimulate economic growth in the city, ITAR-TASS reported on 12 February. The municipal authorities say that the "Nakhodka" zone was a mistake. -- Natalia Gurushina

Compiled by Robert Orttung

REGIONAL PROFILE: CHUVASH REPUBLIC (CHUVASHIYA)

President Nikolai Fedorov

Fedorov became Russian justice minister in June 1990 and maintained this post in Yegor Gaidar's cabinet after November 1991. He held it until March 1993, when he resigned to protest President Yeltsin's intention to use force to close the Russian parliament. He was elected president of Chuvashiya in December 1993, even though the republic usually votes for the Communists. Since his election, he has had a stormy relationship with the republic's legislature, which is controlled by the leftist opposition. At one point, his opponents nearly succeeded in abolishing the office of president in a popular referendum. In January 1995, he signed a decree allowing citizens of his republic to refuse to participate in military activities in Chechnya. Despite his earlier break with the Russian president, however, Fedorov worked on Yeltsin's presidential campaign, but Gennadii Zyuganov won an overwhelming 62.59% of the vote in the second round in Chuvashiya.

Fedorov presents himself as an advocate of reform, but, stresses that the population's social needs are more important than the speed of the changes. He claims to be building socialism as a society in which the state provides free health-care, education, and strong social support for pensioners and children. In October 1996, his government launched a program to support small businesses in the consumer goods and services sector, hoping that it would create 10,000 jobs over the next year. He is critical of the federal government, which he feels has abandoned the republic.

Brief Overview

Chuvashiya is located in central European Russia, occupying an area of 18,300 sq km (about 1/4 of the size of Nizhnii Novgorod Oblast), most of which is located on the right bank of the Middle Volga River and forms a slightly raised plateau (the Chuvash Plateau). The republic's capital city, Cheboksary, a Volga port and major industrial center, lies between Nizhnii Novgorod and Tatarstan's capital Kazan.

The economy is dominated by agriculture—grain, potatoes, hemp, "makhorka" tobacco, and hops (Chuvashiya accounts for about 80% of the hops grown in Russia). Industry, which developed considerably after World War II, includes machine-building, consumer goods, chemicals, and food processing.

The Chuvash, a Turkic people, make up the majority of the republic's population (while according to the 1989 census, Russians comprise less than 30%). Their language differs considerably from the other Turkic languages and the exact place occupied by the Chuvash language within the Uralo-Altaic language family is still debated. In contrast to most of the other Turkic peoples living in Eurasia, the majority of Chuvash are Christians. Most of the Chuvash converted to Russian Orthodoxy in the 18th and 19th century following the annexation of their territory by Ivan the Terrible.

Basic Facts

1995 Population (est.): 1,360,900 (0.92% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 0.52%

Agricultural production as percentage of all Russian production (1994): 0.92%

Average personal income index in July 1995: 50 (Russia as a whole: 100)

Price basket index in July 1995: 82 (Russia: 100)

Average back wages owed per person (September 1995): 40,800 rubles (Russian average: 37,100)

Urban population: 60.4% (Russia overall: 73.0%)

Student population (1993): 135 per 10,000 (Russia overall: 171/10,000);

Pensioner population (1994): 23.5%

Percent of population with higher education (1989 census): 7.9% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 31.9% (Russian average: 29.9%); Agriculture: 20.0% (12.8%); Trade: 8.3% (9.1%); Culture: 12.0% (13.6%); Management: 1.9% (2.3%)

Number of telephones per 100 families (1993): in cities: 38.8 (Russian average: 41.5); in villages: 11.3 (17.2)

According to a 1995 survey by Bank Austria, the republic is 31st among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 20.55%/31.82% (first round/second round)

Zyuganov: 53.93%/62.59%

Lebed: 7.65%, Zhirinovskiy: 4.25%, Yavlinskii: 4.57%

Turnout: 67.16%/67.26% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 33.12%

Liberal Democratic Party of Russia: 12.17%

Party of Workers' Self-Government: 11.57%

Agrarian Party of Russia: 5.73%

Communists-Workers' Russia: 5.17%
Our Home Is Russia: 4.72%
Women of Russia: 2.51%
Yabloko: 1.72%
In single-member districts: 1 independent,
1 Party of Workers' Self-Government
Turnout: 61.00% (Russia overall: 64.37%)

1993 Constitutional Referendum
"Yes" - 39.80% "No" - 56.04%

1993 Parliamentary Election
Liberal Democratic Party of Russia: 22.53%
Communist Party of the Russian Federation: 19.73%
Agrarian Party of Russia: 12.75%
Democratic Party of Russia: 9.11%, Russia's Choice: 8.90%
Women of Russia: 8.50%
Party of Russian Unity and Concord: 4.83%, Yabloko: 3.43%
From electoral associations: 1 Agrarian Party of Russia, 1 Democratic
Party of Russia
In single-member districts: 1 Agrarian Party of Russia, 1 New Regional
Policy
Turnout: 63.56% (Russia overall: 54.34%)

1991 Presidential Election
Yeltsin: 52.29%
Ryzhkov: 21.86%
Tuleev: 6.54%, Makashov: 6.04%
Zhirinovskiy: 5.55%, Bakatin: 2.54%
Turnout: 78.43% (Russia overall: 76.66%)

Sources: Goroda Rossii [Cities of Russia], Moscow: Bolshaya Rossiiskaya
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Compiled by Silja Haas and Anna Paretskaya

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CENTER-PERIPHERY RELATIONS

DESPITE GRUMBLING, FEDERATION COUNCIL PASSES FEDERAL BUDGET

The Federation Council on 12 February passed the 1997 federal budget by a vote of 120-25 with nine abstentions. The budget is among the most important issues that the parliament considers during the course of the year. The Council's only option is to approve the bill as a whole or turn it down completely. The Council members' belief that they had to approve a budget many of them had strongly criticized shows the limits of regional power over the federal government.

The regional leaders' objections to the budget focused on the method of distributing federal funds, the reliability of the numbers under discussion, and the criteria used for determining allocations. First, the regional elite wants to end the current system of federal transfers in which all regions pay into the federal budget and then money is sent back from Moscow. Naturally, the donor regions, who give more money to the budget than they receive back and by some counts number only eight out of 89 regions, want to give less money, while the recipient regions want to receive more. Despite the complaints, the government did not restructure the existing system but promises to do so by next year.

Second, the upper house members do not believe that the federal government would be able to collect all the taxes it would need to finance the budget. These taxes now make up 16% of GDP and add up to 150% more than the state collected last year, *Segodnya* reported on 12 February. Regional leaders believe subsidies and regional transfers will be the first things to go to make up for the underfunding.

Third, the original version of the budget proposed by the government gave greater transfers to the poorest regions. However, the conciliation committee comprised of members from the Duma and the Federation Council insisted that no region get less than it received in 1996. Following the amendments to meet these requirements, 29 regions will receive more money than they would have according to the original draft, but 37 will get less. The leaders of those 37 regions were obviously unhappy with the revisions.

Finally, many of the regional leaders rejected the overall economic program of the government. The Great Ural and Siberian Agreement regional associations, for example, wanted the government to worry less about inflation and devote greater efforts to stimulating production, *Izvestiya* noted on 14 February.

Despite their objections, the regional leaders wanted a budget, even a faulty one, as badly as the federal government. The recipient regions need a legally-enacted budget so they can get money without relying on the good will of the Finance Ministry. If no budget were in place, the federal government could withhold the money that otherwise might have been available, claiming that it had no basis for distributing funds. Moreover sending the budget back to a reconciliation committee and further negotiations with the Duma would do little good. Although the Duma is formally controlled by the opposition, the Communists tend to support the government on key votes. Even though Samara Governor Konstantin Titov declared the budget's spending levels "utopian," (*Segodnya*, 13 February) the Council members supported it in the hope that the federal government would be better equipped to meet its obligations in the future.

Although passing the budget may help Russia get further support from the IMF, it did little to resolve the grave problems facing the country. The Defense Ministry's Krasnaya zvezda on 13 February, for example, pointed out that the budget only provides enough funding to feed the troops through 10 July. After that date, Finance Minister Aleksandr Livshits hopes that the regions will provide support. However, they are unlikely to welcome this further burden, and the Duma will be forced to pass amendments to the budget--a long and difficult process.

The passage of the budget does not end the political battle over the state's finances either. To save face, the Council reserves the right to change the budget as the year progresses, although it remains unclear, of course, if the government will listen to those future demands. At its next meeting, the Council plans to adopt a list of issues for the government to address. In particular, the regional leaders want the federal government to issue a schedule for retiring all its debts, providing more money for social support, including education and agriculture, and ordering the Finance Ministry to fund veterans and children's benefits directly rather than through regional budgets, Kommersant-Daily reported on 14 February.

In the end, most of the 120 councilors who supported the budget undoubtedly came from regions that rely on federal subsidies, while the 25 opposed do not constitute a large enough threat to force the government to radically change its policies. Prime Minister Viktor Chernomyrdin had to show that he respects the regional leaders by sitting in on the Council vote, but he still holds the upper hand when it comes to setting policy. -- Robert Orttung

EXPERTS PREDICT A FEDERATION COUNCIL REVOLT

A majority of the experts on Russian regional issues who gathered at the Moscow Carnegie Center on 12 February agreed that, as a result of recent gubernatorial races, the Federation Council has become less reliant on federal authorities and is likely to demonstrate its independence in the near future.

Observers like Sergei Markov of the Carnegie Center argued that the regional elections increased the level of political polarization within the Federation Council. If previously there were no political factions in the parliament's upper house, they may appear soon, though they will not necessarily crystallize around existing political parties. In the meantime, presidential adviser Leonid Smirnyagin insisted that, by the summer, Council members may launch a rebellion against the central administration. Many regions are about to hold new legislative elections and it is widely assumed that the opposition, though often losing the more important gubernatorial races, tends to prevail in the battle to elect local representatives. According to this scenario, the opposition will increase its representation in the Council and change the existing balance of forces, he reasoned.

In contrast, however, some analysts, including Vladimir Zharikhin of the Center for Applied Political Technologies, claimed that the political balance in the Council has not changed greatly. Zharikhin noted that only about 20 new members, or one-eighth of the overall body, joined the Council after the regional elections of late 1996. Approximately half of the incumbents up for election were able to retain their posts. Others believe that though they are no longer directly appointed by the president, the vast majority of the newly elected governors remain dependent on subsidies from the federal budget and will not oppose the central government out of fear that they will lose this money. -- Anna Paretskaya in Moscow

RUSSIA TO REDUCE THE "NORTH." The Federation Council plans to reduce the number of territories lumped into the category of Russia's North so that the regions that need special state subsidies the most will continue to receive them, while others will be forced to rely more on their own resources, Segodnya reported on 14 February. Currently some 70% of the Russian Federation's territory is eligible for these special benefits. However, the country's weak economy prevents the continuation of such budgetary largesse. In their search for objective criteria to decide who should get additional subsidies, councilors are examining the possibility of using such factors as "the inconvenience of living." In some of the territories, residents must heat their homes 300 days a year, while in others the climate differs little from that of Moscow where heating is used about 200 days a year. The Federation Council hopes to pass a new law on these issues in the first half of 1997 in order to form a legislative base for preparing the 1998 state budget. The "North" as currently defined plays an important role in Russia's economic life. It provides some 70% of the country's oil output, 92% of its gas, and 80% of gold and diamonds mined. With only 9% of the population, the territories provide 20% of Russia's national income and 60% of its foreign currency earnings, according to Ogonek (#4, January 1996). -- Nikolai Iakoubovski

ETHNIC CONFLICT AND REGIONAL SEPARATISM

INGUSH PRESIDENT ON RELATIONS WITH CHECHNYA. Ruslan Aushev told a press conference in Moscow that he is on good terms with Chechen President Aslan Maskhadov and does not envision any problems in relations with neighboring Chechnya, ORT and NTV reported on 17 February. Aushev said that even though the border between the two republics is not demarcated and policed as if it were an international border, the division of territory between the two countries was agreed with Chechen President Dzhokar Dudaev in 1993. Aushev warned that Moscow could lose control of the North Caucasus if it tries to pursue a "divide and rule" policy, as it has on occasion. Mostly, Aushev argued, Moscow has had no consistent policy toward the region at all. He urged Prime Minister Viktor Chernomyrdin not to revoke the status of a tax-free zone which Ingushetiya was granted in 1993, in lieu of recognition of its sovereignty. -- Peter Rutland

UPDATE ON ETHNIC-RUSSIAN MIGRATION FROM CHECHNYA. Almost the entire Russian population of Chechnya has left the republic, ITAR-TASS reported on 14 February, quoting the head of the Federal Migration Service, Tatyana Regent. More than 500,000 refugees from Chechnya, mostly ethnic Russians, have temporarily settled in the surrounding regions of Dagestan, Ingushetiya, Kabardino-Balkariya, Stavropol, and Krasnodar krajs, and Astrakhan and Volgograd oblasts. An estimated 3 trillion rubles (\$531 million) will be required to pay for the resettlement of some 30,000 refugee families who are refusing to return to Chechnya. However, this year's budget allocates only 200 billion rubles (\$35.3 million) for that purpose. Tatyana Regent said only 300 families of resettlers so far have received compensation for their lost property, and the compensation payment arrears for cases that have already been decided amount to 87 billion rubles (\$15.4 million). Out of the 301 billion rubles (\$53.3 million) allocated for the accommodation of Chechnya's refugees during the last two years, the Federal Migration Service has spent only about 13.3% of it on the territory of the Chechen

republic. Meanwhile, the UN is collecting some \$11.9 million to help resettle about 75,000 refugees of the Chechen war, both those who wish to remain in Russia (but outside of Chechnya) and those returning to Chechnya, Radio Rossii reported on 16 February. -- Nikolai Iakoubovski

PATTERNS OF REGIONAL DEVELOPMENT

VLADIVOSTOK MAYOR EMBROILED IN NEW CONTROVERSY. The long-running struggle between Vladivostok Mayor Viktor Cherepkov and the Primorskii Krai authorities has taken a new turn. The Primorskii Krai Duma, which is viewed as close to Cherepkov's bitter foe, Governor Yevgenii Nazdratenko, resolved at a session on 18 January to ask the regional court to review the mayor's actions, Kommersant-Daily and Izvestiya reported on 20 February. The Duma was acting on a letter sent by the regional justice department accusing Cherepkov of illegal measures, such as changing the date of municipal elections and firing officials unlawfully. A similar letter was also submitted by Krai Prosecutor Valerii Vasilenko but later withdrawn. If the court decides that Cherepkov has violated the law, the regional legislature can then vote to dismiss him under Article 49 of the Law on General Principles of Organizations of Local Self-Government. Cherepkov may, however, appeal the decision of the legislature and court to higher judicial bodies, which are more likely to support him.

Cherepkov's supporters, meanwhile, have held demonstrations in Vladivostok to protest the Krai Duma's continued operation. The deputies' term of office expired on 15 January, but the legislators voted to extend their powers and canceled elections scheduled for 30 March. Their decision has been declared unconstitutional by the Central Electoral Commission. -- Penny Morvant

THE VIEW FROM IRKUTSK. When Irkutsk Governor Yurii Nozhikov compares his oblast to others in the Russian Federation, he sees success. Last summer, when the Irkutsk coal miners went out on strike, he believed that he had two options: enter into conflict with the federal authorities or try to resolve the dispute locally. Kemerovo Oblast, Komi Republic, and Primorskii Krai chose the first route, and as a result, the level of wages in Kemerovo for the first time in many years dropped below that of Irkutsk, he told Vostochno-Sibirskaya pravda on 14 January. He chose the second option, solved the problems with the miners, and the oblast produced more coal than in the previous year, he claimed.

However, the Irkutsk governor admits that his region does not have very active relations with other regions and hopes that the domestic Russian market will become more open. Irkutsk maintains its strongest ties with Buryatiya, which relies on the output of Irkutsk's industry. Khakasiya provides most of the oblast's meat. However, Sakha has a huge debt to Irkutsk's river shippers who bring many goods to the republic. The resulting bad relations have hurt both sides. The oblast has also reached the level of Krasnoyarsk Krai in attracting federal offices that serve all of eastern Siberia. Attracting such offices is helping Nozhikov achieve his goal of turning Irkutsk into a financial center for the region.

He noted that the Siberian Accord regional association played only a minor role in 1995-1996 because of the poor leadership exercised by Omsk Governor Leonid Polezhaev. He believes that Novosibirsk, Krasnoyarsk, and Irkutsk should play the main role in leading the region, and that Novosibirsk Governor Vitalii Mukha will give the

association a more prominent role. (For more on Irkutsk, see this week's regional profile.) -- Robert Orttung

GORNYI ALTAI CREATES PRESIDENCY. The new constitution of the Gornyi Altai Republic has established the office of a directly-elected president for the first time in the republic's short history, Kommersant-Daily reported on 19 February. The president will simultaneously serve as the prime minister, but he will not have the right to sign laws approved by the republican parliament. The constitutional commission, composed mainly of republican legislators, hopes that the new office will bolster the republic's "sovereignty" within the Russian Federation. The Gornyi Altai Republic seceded from Altai Krai in 1991. -- Robert Orttung

SOCIAL ISSUES

OIL PIPELINE RUPTURES NEAR SARATOV. About 1,500 metric tons of oil leaked from the Samara-Tikhoretsk pipeline some 30 km from Saratov after a rupture on 16 February. Reports of the extent of oil contamination are conflicting. ITAR-TASS on 17 February quoted a local Civil Defense and Emergency Situations Staff official as saying 300 to 400 tons of oil had reached the nearby Volga via a tributary. According to that report, 500 square meters of the frozen river was covered with oil. The Emergency Situations Ministry said on 18 February, however, that hastily constructed dams had stopped the flow before it reached the Volga. Preliminary estimates put damage from the leak at about 100 billion rubles. Over the past five years, some 250 major accidents have occurred on main pipelines as the infrastructure of the oil and gas industry ages--a situation that is exacerbated by a shortage of early warning systems to detect leaks. The Samara-Tikhoretsk pipeline break was discovered by a passing motorist. -- Penny Morvant

LACK OF FUNDS PUTS MOSCOW NUCLEAR CENTER AT RISK. The Kurchatov Institute nuclear research center in Moscow is becoming a hazard to the local population because of a lack of state funding, Obshchaya gazeta maintained in its issue of 13-19 February. The institute's 7,000 staff have not been paid for months, and there is insufficient money even for routine maintenance at the center, which has several nuclear reactors, a warehouse of nuclear materials, and two storage facilities for radioactive waste. In a bid to draw attention to the institute's plight and win much-needed financing from the government, Kurchatov's director said it is only the "fanaticism of the nuclear scientists" that is preventing a catastrophe. NTV on 19 February quoted Kurchatov researchers as warning that radioactive material could flow into the Moscow River and contaminate the capital's air if a crack were to develop in the reactors' protective shields. The Duma passed a resolution on 12 February expressing concern about the ecological threat posed by the underfunding of the Kurchatov Institute and other such facilities, ITAR-TASS reported. -- Penny Morvant

GOVERNORS CALL FOR REFORM OF COMMUNAL SERVICES. Moscow Mayor Yurii Luzhkov, St. Petersburg Governor Vladimir Yakovlev, and Nizhnii Novgorod Governor Boris Nemtsov met last week to discuss the reform of communal services, Kommersant-Daily reported on 14 February. Spending on housing and communal services currently accounts for 30% to 50% of local budgets, while households pay only about 30% of the cost for their utilities. Reforms launched in 1991-1992 sought to shift the full cost

of housing services onto the population by 2003, but these have stalled because of low income levels. Not surprisingly, local authorities are reluctant to raise charges unilaterally because such a step would be unpopular. On 19 February in St. Petersburg, for example, demonstrators gathered outside the city legislature to protest a two-fold increase in rents and utility charges that went into effect 1 February.

The powerful Luzhkov-Yakovlev-Nemtsov trio are lobbying for the simultaneous introduction of reforms throughout the country and are seeking to devise a common approach to their implementation. According to Kommersant-Daily, the stages they envisage include breaking up the current monopoly service-providers in an attempt to improve quality, lower costs, and open up a new market for private companies. They also want to promote conservation measures; at present, household consumption of water and energy is significantly higher in Russia than in other parts of Europe. In order to offset the impact of higher charges on the poorest strata, people on low income would be eligible for special subsidies. The governors advocate replacing the current system of subsidies, which is governed by apartment size, with subsidies based on size of household. The governors hope that reforming the communal services sector will give a boost to the property market as people move to apartments that are cheaper to maintain. -- Penny Morvant

ECONOMIC DEVELOPMENTS

REGIONAL GOVERNMENTS GO ON-LINE TO ATTRACT BUSINESS. Many of Russia's regional governments and businesses have established home pages on the World Wide Web, often with the aim of attracting foreign investment. The Internet allows Russian regions with little money to reach a wide audience of potential investors and customers. St. Petersburg, for example, has been able to attract more tourists through its web site (<http://www.spb.su/>), according to the St. Petersburg Times. Because of the increased interest in the city, hotel rooms for the White Nights festival in June are almost full, the paper reported. Other republics and regions with sites include Tatarstan (<http://www.ksu.ru/tatarstan/>), Chuvashiya (<http://www.chuvashia.ru/>), Kareliya (http://www.karelia.ru/start_k.html), and Bryansk (<http://www.bryansk.ru/>). Many of the sites are available in English and a variety of Cyrillic fonts, although the Russian Windows font is the most common. The sites usually include information about contacting key regional government officials, investment opportunities, lists of other sites available in the region, and state documents such as the constitution of Kareliya. -- Robert Orttung

FEDERATION COUNCIL APPROVES CHANGES TO LAW ON ROAD FUNDS. The amendments stipulate that although all regions will contribute to the road fund, 50% of the fund's money will be spent in primarily agricultural regions, meaning that Moscow and St. Petersburg will not be entitled to receive this part of the money, Segodnya reported on 14 February. Moscow Mayor Yurii Luzhkov and St. Petersburg Governor Vladimir Yakovlev said they oppose the Federation Council's decision since under the new regulations Moscow and St. Petersburg will in effect subsidize other regions. Luzhkov said he will appeal to President Boris Yeltsin and file a protest with the Constitutional Court, ITAR-TASS reported on 13 February. -- Natalia Gurushina

TATARSTAN TO STIMULATE OIL OUTPUT. The government of Tatarstan has decided to float an oil bond issue this year, Segodnya and Kommersant-

Daily reported on 14 February. The receipts will be used to finance geological exploration works and the development of oil fields on the territory of the autonomous republic. The republican authorities also recommended that local petroleum firms raise money for such projects by floating additional debt issues and preference shares, which are to be sold to the population of Tatarstan. In another move to stimulate oil output, the government has issued a decree creating new oil companies with the participation of both the republican government and domestic and foreign private investors. The government's contribution to the companies' charter capital will be made partly in mining rights for oil deposits. The extracted oil will be divided on the basis of currently undefined production-sharing agreements. -- Natalia Gurushina

MOSCOW OBLAST PLANS FOREIGN-CURRENCY BOND ISSUE. The government of the Moscow Oblast has announced that it will float a three-year, 4 trillion ruble (\$700,000 at the current exchange rate) issue of municipal bonds denominated in both rubles and foreign currency, Segodnya reported on 12 and 17 February. A spokesperson for Unikombank, which will manage the issue, said that foreign investors are likely to show high interest in the bonds, as the investment climate in the Moscow Oblast is considered one of the most attractive in Russia. Bonds denominated in foreign currency are expected to bear an annual coupon income of about 10-14% and will account for about half of the issue. Ruble-denominated bonds will bear a coupon income of some 25% a year. Proceeds from the issue will be used to finance federal and local investment programs in the oblast, as well as social programs.

Meanwhile, problems are mounting around the expected eurobond issue by Moscow city (See OMRI Russian Regional Report, 15 January 1997). The federal government has just introduced a 15% tax on income from operations with state securities (which include regional bonds). Originally, this tax was not taken into account, and the city authorities may now be forced to change certain conditions of the issue. -- Natalia Gurushina

VEKSELYA SUBJECT TO ABUSE IN SOME REGIONS... Vekselya (bills of exchange) are promissory notes by which one organization extends credit to another for a short period of time. They are popular in the Russian economy now as a form of raising money without going to a bank, where interest rates are high. Vekselya issued by both commercial organizations and local governments are often used to pay local taxes. A major problem is that they are being issued without guarantees against real assets. To increase buyers' interest, some unscrupulous issuers have falsely claimed that their vekselya are guaranteed by the Russian Finance Ministry.

Recently a difficult situation arose when the North Ossetian branch of the federal treasury issued 7 trillion rubles (\$1.25 billion) worth of vekselya claiming Finance Ministry backing, Kommersant-Daily reported on 12 February. The Finance Ministry, however, denied any involvement in the floatation. The head of the ministry's Securities Department, Bella Zlatkis, said that the issue was not authorized by the ministry and that federal treasuries are not entitled to float bills of exchange. Still, some of the securities have already been bought by commercial banks, which are now demanding their money back. Zlatkis said the ministry will not repay the forged vekselya and law enforcement authorities will open an investigation. -- Natalia Gurushina

...BUT THE GOVERNMENT IS TRYING TO MAKE THEM MORE SECURE. Meanwhile, the

Central Bank of Russia (TsB) is looking for ways to streamline the issuance and circulation of the bezdokumentarnye vekselya, or electronic bills of exchange. Electronic bills of exchange have a number of advantages over traditional vekselya, including their invulnerability to forgery and tax evasion and their transparency of circulation. However, the original mechanism of issuing electronic bills of exchange--through special operator companies set up by federation subjects--was criticized by both the TsB and the Finance Ministry. They argued that such a mechanism would provide federation subjects with unfair advantages over other vekselya operators, such as private companies. The TsB has now suggested using an alternative procedure involving a depository center. TsB Deputy Chairman Andrei Kozlov said that the new mechanism will first be tried at the Siberian Interbank Currency Exchange in Novosibirsk, where the issuance of electronic vekselya had been pioneered, Finansovye izvestiya reported on 13 February. It should be noted, though, that the massive floatation of bills of exchange (even in a more "refined" electronic form) is viewed as a principal destabilizing factor in the Russian financial system, since the bills can be used for artificially supporting near-bankrupt companies. -- Natalia Gurushina

FOREIGN POLITICAL TIES

JAPAN, KOREA, RUSSIA CONSIDER FATE OF SAKHALIN'S KOREANS. The Russian, Japanese, and South Korean authorities are trying to decide how to help the Korean population on Sakhalin Island and how the Japanese should make compensation to them, according to Sovetskii Sakhalin (nos. 11-15, 1997). Ethnic Koreans first came to Sakhalin Island in the 1870s. During the 1920s, they worked in the mines on the northern part of the island. The population in the southern part of the island grew significantly during the 1905 to 1945 Japanese occupation, when Koreans were used as forced laborers. When southern Sakhalin became part of the USSR, many of the Koreans were deprived of the right to citizenship.

Now there is no clear information on how many of the Koreans want to stay in Russia and how many want to go to Korea. The three governments have decided on the need to conduct a poll of the Sakhalin Koreans to determine where they want to live and under what conditions they would stay or go.

The Japanese want to offer the Koreans a plan in which the Japanese would build apartments for 100 individuals and homes for 500 families at a cost of 3.2 billion yen (\$25 million). They want to exclude the possibility of any financial compensation, leaving that for later negotiations. The Russian authorities believe that such an arrangement would violate the rights of the Sakhalin Koreans, depriving them of the opportunity to choose where to live and work. The Korean position is closer to that of the Japanese: bring the families to Korea and then resolve other issues later. The South Korean government has agreed to finance the poll, which the oblast administration hopes to carry out by the end of March. -- Robert Orttung

Compiled by Robert Orttung

REGIONAL PROFILE: IRKUTSK OBLAST

Governor Yurii Nozhikov

President Boris Yeltsin appointed Yurii Nozhikov governor in September 1991; Nozhikov had served as head of the regional ispolkom

since 1988. Although Yeltsin threatened to dismiss him in 1992, Nozhikov successfully refused to transfer the regional electricity producers to a centralized energy complex, as the federal government had wanted. The energy producers were left under the oblast's jurisdiction and Nozhikov stayed in power, but he was dismissed together with Novosibirsk Governor Vitalii Mukha in March 1993 for abuse of office and repeated refusal to implement presidential decrees. He was reinstated 6 days later, however, after massive protests by the Irkutsk population and other regional leaders. He won the gubernatorial election in March 1994.

Nozhikov is regarded as a strong regional leader. He describes himself as a social democrat who advocates a slow and socially responsible pace of reforms. On the one hand, he has strongly opposed some aspects of the government's privatization program, while, on the other, he supported Yeltsin during his October 1993 clash with the parliament in contrast to most of his Siberian colleagues. Nozhikov has often criticized budgetary relations between the center and the regions, mainly with respect to the asymmetric federalism that favors the republics by giving them greater control over their budgets and natural resources. He signed a power-sharing agreement with the federal government in May 1996.

Other Local Leaders

Chairman of the Legislative Assembly -- Ivan Zelent (elected in April 1994)

Brief Overview

Irkutsk Oblast occupies an area of 767,900 sq km in central Siberia, stretching from the northwestern shores of Lake Baikal and the western Sayan Mountains northward into the hilly Central Siberian Plateau and eastward to the Patom Mountains. The land is largely covered by dense taiga with some mixed forests and steppe in the south. Most of the population and industry is concentrated along the Transiberian Railroad and in the Angara valley. The oblast economy is dominated by mining, chiefly of coal and iron ore, but the region also accounts for a high share of Russia's aluminum production. Gold deposits at Sukhoi Log in the northeast, with an expected output of 50 tons per annum, are still to be developed. Timber working is of importance, as well as paper and cellulose production, the latter mainly located on the Baikal and contributing seriously to a destabilization of the lake's ecology. The oblast boasts three huge hydroelectric plants, providing cheap electricity; oil, however, is delivered by a pipeline from the Volga-Ural oil fields. A nuclear fuel enrichment facility is located at Angarsk.

Basic Facts

1995 Population (est.): 2,804,500 (1.89% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 3.44%

Agricultural production as percentage of all Russian production (1994): 2.46%

Average personal income index in July 1995: 108 (Russia as a whole = 100)

Price basket index in July 1995: 135 (Russia = 100)

Average back wages owed per person (September 1995): 97,800 rubles (Russian average = 37,100)

Urban population: 79.4% (Russia overall: 73.0%)

Student population (1993): 185 per 10,000 (Russia overall: 171 per

10,000)

Pensioner population (1994): 20.5%

Percentage of population with higher education (1989 census): 10.1%
(Russia overall: 11.3%)

Percentage of population working in (1993): Industry: 30.9% (Russian average: 29.9%); Agriculture: 8.0% (12.8%); Trade: 8.8% (9.1%); Culture: 13.6% (13.6%); Management: 2.0% (2.3%)

Number of telephones per 100 families (1993): in cities: 30.1 (Russian average: 41.5); in villages: 9.7 (17.2)

According to a 1995 survey by Bank Austria, the oblast is 45th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 32.2%/52.64% (first round/second round)

Zyuganov: 27.57%/39.77%

Lebed: 16.29%, Zhirinovskiy: 8.48%, Yavlinskii: 8.86%

Turnout: 62.78%/60.96% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 15.68%

Liberal Democratic Party of Russia: 15.61%

Our Home Is Russia: 8.26%, Yabloko: 6.57%

Women of Russia: 6.97%

Communists-Workers' Russia: 5.54%

Party of Workers' Self-Government: 5.98%

Agrarian Party of Russia: 3.37%

In a single-member district: 3 independent,

1 Our Home Is Russia, 1 Agrarian Party of Russia

Turnout: 58.43% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 71.94% "No" -- 25.06%

1993 Parliamentary Election

Liberal Democratic Party of Russia: 21.48%

Russia's Choice: 16.85%, Women of Russia: 13.24%

Communist Party of the Russian Federation: 9.50%

Party of Russian Unity and Concord: 8.88%

Yabloko: 6.71%, Democratic Party of Russia: 6.13%

Agrarian Party of Russia: 4.95%

From electoral associations: 1 Russia's Choice

In single-member districts: 2 New Regional Policy, 1 Party of Russian

Unity and Concord, 1 Agrarian Party of Russia

Turnout: 50.37% (Russia overall: 54.34%)

1991 Presidential Election

Yeltsin: 52.75%, Ryzhkov: 14.53%, Zhirinovskiy: 12.47%,

Tuleev: 10.45%, Bakatin: 3.66%, Makashov: 2.16%

Turnout: 71.48% (Russia overall: 76.66%)

Sources: Goroda Rossii [Cities of Russia], Moscow: Bolshaya Rossiiskaya Entsiklopediya, 1994; Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections], Moscow: Yuridicheskaya Literatura, 1995; Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown], Moscow: Panorama, 1996; Vybory deputatov Gosudarstvennoi Dумы 1995 [State Duma

elections 1995], Moscow: Central Electoral Commission, 1996; S.A. Nagaev and A.Woergoetter: Regional Risk Rating in Russia, Vienna: Bank Austria, 1995.

Compiled by Silja Haas and Anna Paretskaya

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PATTERNS OF REGIONAL DEVELOPMENT

REGIONAL EXECUTIVES SEE NEED FOR LOCAL PARTIES OF POWER

The political crisis in Novosibirsk is proving that regional executives need to nurture strong local "parties of power" that will win elections to local legislatures and then support the governor or mayor's policy programs. As the idea of dividing power takes hold throughout Russia's regions, executives who try to copy President Boris Yeltsin's style of ruling by ignoring the representative branch find themselves unable to govern.

In Novosibirsk, Vladimir Zhirinovskiy's Liberal Democratic Party of Russia won a working majority in the city council in the December elections and has blocked Mayor Viktor Tolokonskii from implementing his plans. The mayor shares a large part of the responsibility for this state of affairs because he did not take a strong personal interest in setting up an organization that could elect his supporters to the council. He did set up an organization called "Civic Agreement" (Grazhdanskoe soglasie), but this group languished without any clear leadership, leaving voters to guess what positions it actually supported. Although a solid bloc of opposition voters turned out to support their candidates, Tolokonskii's potential supporters stayed home in droves on election day.

A delegation from Omsk that came to study the results of the Novosibirsk elections and their aftermath concluded that it was crucial for the mayor to set up and control his own organization. Novaya sibir on 17 February provided its own Machiavellian guide for executives interested in establishing their own parties. According to the paper, a successful party of power requires: the absence of a political platform; real support from the authorities, who maintain complete but informal control over the organization; the use of professional campaign managers, rather than "fanatics," to round up support on election day; and the rejection of "eternal activists" who move from party to party but accomplish nothing.

One of the best examples of a successful effort to build an organization capable of supporting a regional leader is Sverdlovsk Governor Eduard Rossel's Transformation of the Ural (Preobrazhenie urala). Rossel set up the organization on 22 November 1993, after Yeltsin had fired him as the appointed governor for trying to elevate his oblast to the status of a republic. Transformation of the Ural went on to win seven of the 28 seats in the 1994 Oblast Duma elections, and had enough support to make Rossel the Duma chairman. The movement also helped Rossel win the 20 August 1995 gubernatorial elections, and then won a majority of the seats in both houses of the newly-created Legislative Assembly in the April 1996 elections. In his interviews with the local press, Rossel identifies himself strongly with Transformation of the Ural, stressing that by voting for him, the oblast's electorate had supported the movement's goals (see Respublika, 9 April 1996).

Transformation of the Ural's 11th congress on 25 January 1997 demonstrated the possibilities of what a strong organization could achieve. Although Rossel left the movement's council, arguing somewhat belatedly that he could not combine the post of governor with the leadership of a political organization, he joined a new societal consultative council which works within the framework of the larger organization (Oblastnaya gazeta, 28 January 1997). Despite the change in

his title, he retains overall control of the movement. The speakers of both houses of the local legislature are also members of this council, as is the president's representative to the oblast. Since the regional leaders are all members of the same political organization--which has the popular support required to control the region's executive and legislative branches--the key players can more easily coordinate their actions in governing the oblast.

Of course, there are limits to the amount of cooperation in even a successful organization. Although the leaders of the legislature generally support Rossel, they still unite to defend their corporate interests against the governor. In October 1996, the lower house voted almost unanimously to override the governor's veto of a bill giving the legislature stronger oversight over the budget and other financial issues. The legislature has also given Rossel considerable difficulty in codifying his plan to divide the oblast into six regions, each of which is controlled by an official directly subordinate to the governor. The purpose of the plan is to increase Rossel's power over popularly-elected mayors who might not implement the governor's policies at the local level. Despite the legislature's reservations, Rossel unilaterally began putting the plan into effect late last year.

As Novosibirsk Governor Vitalii Mukha prepares for elections to the Novosibirsk Oblast legislature, he will undoubtedly take the lessons of the local city council and Transformation of the Ural into account.
-- Robert Orttung

BUSINESSMEN DOMINATE NEW LOCAL LEGISLATURES. According to a Central Electoral Commission report on the 1996 regional election results, most of the people that were elected to regional and local legislative assemblies are businessmen. Representatives of banks and private businesses make up 20% of the membership and another quarter of local deputies work at municipal enterprises. State employees make up only 25% of the deputies, Segodnya reported on 22 February. Anatolii Sliva, the presidential representative to the Federation Council, predicted heavy competition in the numerous regional legislative elections that are to take place in 1997. He said that bankers and entrepreneurs are highly interested in influencing the budget-writing process and having a voice in revising taxation and other economic legislation. Therefore, they will do their best to be elected to local legislative bodies. -- Anna Paretskaya in Moscow

POLITICAL BATTLE HEATS UP IN PRIMORE. The representatives of a number of political organizations in Primorskii Krai have sent a letter to President Boris Yeltsin requesting the immediate disbanding of the krai Duma, Radio Rossii reported on 26 February. The Duma's electoral term expired on 15 January, but the deputies canceled elections scheduled for 30 March and extended their powers. A number of demonstrations have been held in Vladivostok against the move (see Russian Regional Report, 20 February 1997). The Duma, which is close to Primorskii Krai Governor Yevgenii Nazdratenko, is seeking to oust Vladivostok Mayor Viktor Cherepkov, Nazdratenko's longtime foe. -- Penny Morvant

AGIN-BURYATIYA ELECTS NEW GOVERNOR. The Agin-Buryat Autonomous Okrug elected Duma member Bair Zhamsuev as its new governor in repeat elections on 23 February, ITAR-TASS reported. He won 44.5% of the vote with a turnout of 64.8%. His closest competitor Yurii Dondokov, a former chief of one of the okrug's raions, won 33%. Zhamsuev campaigned on a platform of resolving the okrug's main social problems over the course

of two years and paying all back wages, pensions, and stipends in that time. In the Duma, Zhamsuev was a member of the Russian Regions deputy group and served as deputy chairman of the committee on nationalities. In the first elections, held 27 October 1996, Governor Bolot Ayusheev edged Dondokov, 49%-48% but did not retain his post because the electoral law stipulates that the balloting must be repeated if neither candidate wins a majority in a two-candidate race. -- Robert Orttung

"RED BELT" REGIONS DIFFER FROM EACH OTHER. Although about 60% of the residents of Central Russia believe that the government's reforms have worsened the social and economic situation in the country, an analysis by Moskovskie novosti (no. 7) shows that the regions of the so-called "red belt," where the Communist Party has been traditionally strong over the past five years, differ from each other substantially. Although Bryansk, Kursk, and Orel oblasts are located close to each other and faced similar economic conditions during Soviet times, now they are in quite different situations, despite the fact that all three have ousted presidential appointees and elected opposition-backed candidates as their governors.

The situation in Bryansk Oblast seems the worst. About 20% of its population is earning less than 260,400 rubles a month (about \$50), the oblast's subsistence minimum. Employees of about 300 oblast enterprises staged strikes in 1996 and more than 80 enterprises a month, on average, had work stoppages. Unemployment is rampant.

The situation in Kursk Oblast is significantly better. Although overdue wages amounted to 3 trillion rubles by the end of 1996--about 10 times more than in Bryansk--the Kursk Oblast administration plans to erect four new factories that will produce construction materials. There are already about two dozen joint ventures in the oblast and the new administration, led by Governor Aleksandr Rutskoi, hopes to attract more foreign investors. The production volume of the joint ventures in the oblast doubled compared to 1995, now exceeding 200 billion rubles.

Orel Oblast has introduced free market institutions to a much greater extent than other regions in the area. Only 8% of the oblast's enterprises are currently state owned and about 50 businesses are joint ventures with the participation of entrepreneurs from 25 foreign countries. The average monthly salary is 528,000 rubles, while overdue wages total 13,6 billion rubles. The unemployment rate, at 10%, is relatively low compared with neighboring regions. The newspaper attributes the oblast's relatively healthy economy to the policies of Governor Yegor Stroev, also the speaker of the Federation Council, who serves as a guarantor of stability in the region. -- Anna Paretskaya in Moscow

NEW STAVROPOL GOVERNOR LACKS EFFECTIVE ADMINISTRATION. The new government of Stavropol Governor Aleksandr Chernogorov may not answer the needs of the krai, or even serve the political interests of the incumbent, according to an analysis of the executive branch's structure in Vechernii Stavropol on 22 January. The paper complains that Chernogorov has given very low status to the department that deals with issues of inter-ethnic and Cossack relations. Corresponding state institutions in neighboring regions of the North Caucasus have a higher status. There are numerous nationalities living within the krai's borders and the Cossacks have begun to attract considerable attention for their demands against the Chechens, but the Stavropol government may not have the resources to address these issues, the paper complains.

Additionally, the new government does not have an analytical

department that will collect and evaluate information from the different parts of the krai. By not creating such a department, Chernogorov may be repeating the mistakes of his predecessor. Former Governor Petr Marchenko suffered electoral defeat partly because he also lacked such a department. He received information, often contradictory, from a variety of sources, and apparently saw only what he wanted to see, the paper argued. His staff was confident of victory but suffered a humiliating 48%-38% defeat in the first round of the elections. The former governor of neighboring Krasnodar Krai, Nikolai Yegorov, may have succeeded in rising to the position of presidential chief of staff on the strength of his analytical department, the paper claims. -- Robert Orttung

11 CANDIDATES REGISTERED FOR TULA GUBERNATORIAL ELECTIONS. Of the 11 candidates registered for the Tula gubernatorial elections on 25 February, Communist-backed Vasilii Starodubtsev is most likely to win the 23 March contest because the numerous pro-Yeltsin candidates will split their vote, according to Sergei Filatov, a key organizer of the regional elections on behalf of the president. Starodubtsev supported the August 1991 coup attempt and is now the chairman of a local collective farm and the Agrarian Union of Russia. Among the other candidates are Governor Nikolai Sevryugin and a host of prominent local officials. Filatov said Sevryugin's chances of winning are "practically nil," ITAR-TASS reported. Both former Security Council Secretary Aleksandr Lebed and former First Deputy Prime Minister Oleg Soskovets--allies of Tula State Duma deputy Aleksandr Korzhakov--declined to run, Kommersant-Daily reported. Filatov's organization has not decided which candidate it will support in the race. -- Robert Orttung

CENTER-PERIPHERY RELATIONS

YELTSIN ORDERS UDMURTIYA TO OBSERVE COURT RULING. President Boris Yeltsin has ordered Udmurt State Council Chairman Aleksandr Volkov to implement a Constitutional Court decision obligating him to reinstate local self-government institutions in the republic, Kommersant-Daily and Radio Mayak reported on 22 February. Yeltsin also instructed Procurator-General Yurii Skuratov to monitor the implementation of the court's ruling and ensure that it is enforced.

On 24 January, the Constitutional Court ruled that the Udmurt law subordinating local governments directly to the republican government, passed by the republican parliament in April 1996, contradicts federal legislation (see Russian Regional Report, 5 February 1997). Although the intent of the court ruling was clear, the Udmurt government interpreted the decision in its favor since the court recognized the right of federation subjects to form their state institutions independently.

Kommersant-Daily argued that the presidential order is the first step in implementing a campaign to make regional and republican legislatures comply with federal laws. The main architect of the campaign is Presidential Chief of Staff Anatolii Chubais. The federal authorities have repeatedly noted that 19 out of 21 Russian Federation republics have passed laws violating federal legislation. Moreover, some republican leaders, such as Tatar President Mintimer Shaimiev, have started to call for constitutional amendments that would give additional privileges to national republics. The newspaper suggests that the presidential order to Udmurtiya was, to a great extent, provoked by such demands from the republican leaders. -- Anna Paretskaya in Moscow

MOSCOW MAYOR PROPOSES REORGANIZING RUSSIAN FEDERATION. Moscow Mayor

Yurii Luzhkov on 26 February suggested that the number of Russian federation subjects be reduced from 89 to 10-12 to improve overall management and efficiency. The idea is not new and is supported by many Russian political scientists who think it would provide substantial benefits. Luzhkov did not spell out how he would divide the country, but his preferred borders would presumably be based on the eight existing regional associations (see Russian Regional Report, 15 January 1997), Moscow and St. Petersburg, with their respective oblasts, and the inclusion of Belarus and Sevastopol into the Russian Federation, Kommersant-Daily reported on 27 February. The republican presidents and regional governors oppose the idea since most of them would lose their current powers, making the proposal nearly impossible to implement. Tatarstan's president, Mintimer Shaimiev said that he would support the idea if it expanded Tatarstan. However, he noted the need to "consult with the people" and stressed that Tatarstan will always exist, ITAR-TASS reported. If Luzhkov were to run for president, statements like these would make it difficult for him to round up support among members of the regional elite who might feel that as president he would endanger their positions. -- Robert Orttung

FIRST REGIONAL PARLIAMENTARY ASSOCIATION MEETS. Speakers from 11 regional legislatures, comprising the North-West Parliamentary Association (SZPA) met in Syktyvkar (Komi Republic), to discuss common tactics for the next session of the Federation Council, Rossiiskie vesti reported on 26 February. SZPA is the first and, so far, the only assembly of regional legislative leaders, while executives from all federation subjects have joined one of eight regional associations. Although the association was created in November 1994, the Russian Justice Ministry still refuses to register it. The association members hope to harmonize their own legislation, and subsequently do so for all federation subjects. In a twist on Luzhkov's proposal, SZPA Chairman Vasilii Ivanov, who is also the chairman of the Leningrad Oblast Legislative Assembly, suggested that ultimately, the SZPA, as well as other regional associations, may become the basis for restructuring the Russian Federation. -- Anna Paretskaya in Moscow

SOCIAL ISSUES

INTERNATIONAL CONFERENCE IN NAZRAN LOOKS AT REFUGEE PROBLEMS. An international conference on refugees opened in the Ingush capital on 23 February, ITAR-TASS reported. It was timed to coincide with the 53rd anniversary of Stalin's deportation of the Ingush and Chechen people from the North Caucasus in 1944. According to the Ingush Migration Service, about 80,000 refugees from Chechnya are currently in Ingushetiya along with Ingush displaced by the conflict that broke out in North Osetiya's Prigorodnyi Raion in 1992. In his address to the conference, Ingush President Ruslan Aushev argued that the Russian federal authorities are not taking adequate measures to protect the rights of Ingush residents of North Osetiya and that the North Osetiyan leadership is ignoring the rulings of federal organs. Following a meeting on 21 February with Ingush Prime Minister Belan Khamchiev and Yeltsin's representative in the region Aleksandr Kovalev, North Osetiyan Prime Minister Yurii Biragov said 1,730 Ingush families have returned to the raion but the process is being hampered by a lack of funding for reconstruction projects. The Nazran conference adopted a statement to the Russian leadership saying that further delays in the repatriation of Ingush deportees and North Osetiyan attempts to block the resolution of

the refugee question could threaten Russia's territorial integrity. -- Penny Morvant

NIZHNII NOVGOROD PENSIONS PAID IN OIL. Although Nizhnii Novgorod Oblast is a donor region, its branch of the Russian Federation Pension Fund is reliant upon subsidies from Moscow. In an attempt to prevent the delays in the payment of pensions that result from the late payment of government subsidies, Governor Boris Nemtsov has begun to deal directly with a number of northern regions that are net donors to the Pension Fund, bypassing Moscow. In essence, Nizhnii Novgorod pensioners are being paid in oil from major companies such as YUKOS and LUKoil in Tyumen Oblast. According to Kommersant (no. 6), the scheme works like this: the oil companies pay contributions to their branch of the pension fund in vekseliya (bills of exchange) received from the Nizhnii-based bank Garantiya in exchange for oil. The vekseliya are then transferred to the Nizhnii branch of the Pension Fund to cover the federal subsidies. The oil is processed by the NORSI company in Nizhnii Novgorod, and the earnings from its operations go to Garantiya. The bank then redeems the vekseliya presented by the Pension Fund, which pays local pensioners. The oil vekseliya now account for half the subsidies the oblast receives each month from Moscow. -- Penny Morvant

ECONOMIC DEVELOPMENTS

SAKHA LEADERSHIP CALLS FOR INVESTMENT. Republic of Sakha (Yakutiya) President Mikhail Nikolaev and Prime Minister Valentin Fedorov have issued a request for businessmen to invest money in the republican economy. The letter, published in Rabochaya tribuna on 26 February, announced that the republican government sees the creation of favorable conditions for businesses as one of its main goals. The authors claim that, by lowering republican taxes, Sakha's 1997 tax laws encourage the creation of new businesses. Sakha's diamond and gold mining, oil processing, timber industries, and agriculture all require heavy investment. The letter says that the political and economic situation in the republic is stable and that the republican government is willing to guarantee the security of investments into top priority projects. -- Anna Paretskaya in Moscow

KURSK SIGNS AGREEMENT WITH GAZPROM. Kursk Oblast Governor Aleksandr Rutskoï and Gazprom Chairman Rem Vyakhirev have signed an agreement on cooperation, Rabochaya tribuna reported on 25 February. Under the agreement, Gazprom will supply the oblast with gas for the 1997-2001 period. In turn, the oblast administration will support the development of Gazprom enterprises in the region and will accommodate and create new jobs for gas industry employees relocated from northern Russia to the oblast. Additionally, the oblast administration agreed to pay consumers' debts for gas and ensure that future payments are made on time. If the region pays off its debt soon, Gazprom promised to cut prices for the gas it supplies. In the meantime, Rutskoï announced that the oblast will sign a power-sharing agreement with the federal authorities in the first half of 1997, Segodnya reported. The document, which, according to Rutskoï, was supported by Prime Minister Viktor Chernomyrdin, is now being examined by the Justice Ministry and the oblast's Legislative Assembly. -- Anna Paretskaya in Moscow

MOSCOW REMAINS PRINCIPAL CONTRIBUTOR TO FEDERAL BUDGET . . . In 1996, Moscow remained the principal contributor to the federal budget

accounting for 16.8% (46.9 trillion rubles, or \$8.6 billion at the current exchange rate) of budgetary revenue, Kommersant-Daily reported on 22 February, citing Moscow city tax police head Dmitrii Chernik. Moscow's contribution exceeded its initially planned transfer by 5%. Only seven additional regions, including the Khanty-Mansi Autonomous Okrug and the Amur Oblast, met their 1996 budgetary targets. -- Natalia Gurushina

. . . BUT CITY BUDGET IN TROUBLE. In 1996, changes in the tax legislation, however, resulted in the loss of some 5.4 trillion rubles of revenue for the Moscow city budget. In 1997, the city will lose an additional 3.7 trillion rubles of revenue because this money will be transferred from the Moscow road fund to the federal fund to be distributed among regions with rural settlements (see OMRI Russian Regional Digest, 20 February 1997). To compensate for these losses, the Moscow city authorities are considering increasing the amount they charge federal offices located in the city for utilities and transport services, Segodnya reported on 19 February. -- Natalia Gurushina

MOSCOW ISSUES MUNICIPAL BONDS. The Moscow city government has floated the first tranche of its 200 billion ruble (\$35 million) issue of municipal bonds which have a 182-day maturity, Finansovye izvestiya and Kommersant-Daily reported on 18 and 20 February, respectively. Annual yields on the bonds in the first tranche averaged 30.69%, which is slightly higher than the current average yield on state short-term securities (GKOs). Although higher yields can boost investors' demands for new securities, they also mean higher debt-servicing costs and an additional strain for the local budget. A high level of debt-servicing costs is causing serious problems in St. Petersburg which issued 5 trillion rubles worth of municipal bonds. The St. Petersburg authorities now intend to cover part of these costs with receipts from a planned eurobond issue.

According to the Moscow city authorities, proceeds from the municipal bond issue will be used for financing a number of construction projects in the capital. In turn, revenue generated by these projects is expected to be used for repaying the bonds. The list of such projects, however, had not yet been made public, which may scare off some of the potential investors. The same problem--the absence of plausible investment projects--was a major factor that caused a delay in the expected floatation of Moscow's first eurobond issue. At present, the total volume of municipal bond issues in Russia is estimated at 9 trillion rubles. -- Natalia Gurushina

FOREIGN ECONOMIC TIES

MORE FOREIGN INVESTMENT IN CHELYABINSK OBLAST. The EBRD has approved a \$40 million loan for the construction of a thermal power plant in Chelyabinsk Oblast, Kommersant-Daily reported on 19 February. The construction work will be carried out over two years by the U.S. firm Forster Wheeler Energy International which won the investment tender for the project in 1996. The total cost of the project is estimated to be \$150 million. Three Russian banks, SBS-Agro, Promstroibank, and Inkombank, are currently competing for the right to act as a guarantor for the loan.

Additionally, the Australian company Eurasia Mining and the Russian firm Yuzhuralzoloto have agreed to set up a joint venture for the development of the Svetlinskii gold deposit on the oblast's

territory, Segodnya reported on 19 February, citing Yuzhuralzoloto general director Konstantin Strukov. Eurasia Mining will have a 49% stake in the company and Yuzhuralzoloto will take a 51% share. The development of the deposit may require some \$80 million worth of investment. Originally, the Svetlinskii gold deposit was supposed to be developed jointly with the British firm RTZ. RTZ, however, pulled out of the project in the spring of 1996 because its leaders claimed that high taxes in the Russian gold mining industry made investment unprofitable. The deal between Eurasia Mining and Yuzhuralzoloto is expected to be finalized in March 1997. -- Natalia Gurushina

NIZHNII NOVGOROD, ALTAI KRAI ATTRACT FOREIGN INVESTMENT. According to the Foreign Trade Ministry's estimates, foreign firms invested about \$100 million in Nizhnii Novgorod Oblast in 1996, twice the level of the previous year. Some surveys rank Nizhnii behind only Moscow and St. Petersburg in terms of investment attractiveness. The Balakhninskii Paper Plant and the GAZ car producer were the main recipients of investment, according to Interfax-AiF (no. 8). The rest of the foreign money went into the food and construction industries, hotels, and telecommunications. Experts predict that investment volume will fall in 1997, but more enterprises in a wider range of industries will be getting money. Presently, the oblast administration is negotiating foreign participation in 13 projects, while some regional chemical and heavy industry enterprises are looking for investment on their own.

In the meantime, some experts believe that Altai Krai may soon be attractive for foreign investment, even though the krai's main industries, agriculture and defense, are unable to produce quick returns. The largest investment program under way in the region is the World Bank's housing project. The krai's main city, Barnaul, is among five Russian cities where the bank is financing housing construction. Under the terms of the project, Barnaul will receive \$18 million for building cottages and town houses. The krai administration also plans to compete for the World Bank's transportation project. According to the regional foreign trade department, direct foreign investment in the krai totaled \$14.7 million in 1996. -- Anna Paretskaya in Moscow

PEPSI BOTTLER ANNOUNCES LARGE INVESTMENT IN NORTHWEST RUSSIA. Pepsi-Cola General Bottlers announced that over the next three years it would invest \$165 million in St. Petersburg, Novgorod, Murmansk, and Kaliningrad oblasts, as well as in the Baltic states and Belarus, ITAR-TASS reported on 25 February. About \$125 million will be spent on developing production and distribution capabilities in Russia's northwestern region, including a bottling plant to be built in St. Petersburg in 1999-2000. The new factory will have a capacity of 360-600 million liters a year, significantly larger than the 48 million liters of the beverage currently produced in the city each year, Kommersant-Daily reported 27 February. -- Robert Orttung

SHAIMIEV LOOKS FOR BUSINESS IN EGYPT. Tatarstan's president, Mintimer Shaimiev, wound up a four-day visit to Egypt on 25 February. He met with President Hosni Mubarak and other top officials to discuss possible economic deals. Shaimiev noted that the power-sharing agreement he signed with the Russian Federation allowed Tatarstan to conduct foreign economic activity on its own and "we are now actively doing just that," ITAR-TASS reported. Shaimiev hopes to sell Egypt TU-214 aircraft, helicopters, KamAZ automobiles, and other products made in Tatarstan. The two sides also discussed greater cooperation in the oil industry.

Cairo and Kazan are planning to begin direct air service. Tatarstan has opened missions in 14 countries, according to Shaimiev. -- Robert Orttung

Compiled by Robert Orttung

REGIONAL PROFILE: BELGOROD OBLAST

Governor: Yevgenii Savchenko

Savchenko was educated as an agronomist and spent his early career working in Belgorod's agricultural sector. In 1983, when he was 33, he began working his way up the party ladder, serving both at home and in Moscow, as was typical for party functionaries. He spent the early 1990s consulting for the Russian Agriculture Ministry and then private firms in Moscow. Yeltsin appointed him governor in late 1993 and he won a popular election to the post on 17 December 1995.

Savchenko supports a strong role for the state in social development. He has spoken out against the monetarist policies of the federal government and particularly criticizes the liberalization of foreign trade and the increase in foreign and domestic debt. In January 1997, Savchenko began to crack down on the illegal importation of alcohol into Belgorod so that the oblast would be able to collect taxes on it.

Other Local Leaders

Chairman of Duma - Yuri Seliverstov (elected in March 1994)

Brief Overview

Belgorod Oblast, occupying an area of 27,100 sq km, is located in western Russia in the basin of the Vorskla, Donets and Oskol rivers. It neighbors Kursk Oblast and Voronezh Oblast and shares a common border with Ukraine. Once covered with forest-steppe, the rich soils are mainly used for agriculture--grain, sugar beets, sunflower seeds, and fruit being the main crops. Some of the local soil has suffered, however, from radioactive contamination as a result of the 1986 accident at the Chernobyl nuclear power station.

The administrative center, Belgorod city, located on the upper Donets River and crossed by the Moscow-Charkov railroad, was founded in 1593 as a fortress against Tatar attacks and is now an important industrial center. Its main industries are manufacturing building materials, food processing, light engineering, and ore mining.

Basic Facts

1995 Population (est.): 1,458,200 (0.98% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 1.20%

Agricultural production as percentage of all Russian production (1994): 1.39%

Average personal income index in July 1995: 69 (Russia as a whole: 100)

Price basket index in July 1995: 81 (Russia: 100)

Average back wages owed per person (September 1995): 46,200 rubles (Russian average = 37,100)

Urban population: 64.5% (Russia overall: 73.0%)

Student population (1993): 127 per 10,000 (Russia overall: 171/10,000);

Pensioner population (1994): 28%

Percent of population with higher education (1989 census): 8.4% (Russia

overall: 11.3%)

Percent of population working in (1993): Industry: 25.8% (Russian average: 29.9%); Agriculture: 25.7% (12.8%); Trade: 8.1% (9.1%); Culture: 10.7% (13.6%); Management: 2.2% (2.3%)

Number of telephones per 100 families (1993): in cities: 41.5 (Russian average: 41.5); in villages: 17.7 (17.2)

According to a 1995 survey by Bank Austria, the oblast is 19th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 22.87%/36.28% (first round/second round)

Zyuganov: 46.35%/58.57%

Lebed: 16.95%

Zhirinovskiy: 4.31%

Yavlinskii: 5.75%

Turnout: 75.71%/75.36% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 31.59%

Liberal Democratic Party of Russia: 14.60%

Our Home Is Russia: 6.69%

Agrarian Party of Russia: 5.63%

Communists-Workers' Russia: 4.91%

Women of Russia: 4.34%

Yabloko: 3.79%

Party of Workers' Self-Government: 2.20%

In a single-member district: 1 Power to the People,

1 Communist Party of the Russian Federation

Turnout: 75.49% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" - 44.04% "No" - 53.95%

1993 Parliamentary Election

Liberal Democratic Party of Russia: 37.07%

Communist Party of the Russian Federation: 15.90%

Agrarian Party of Russia: 10.23%

Russia's Choice: 10.02%

Women of Russia: 7.12%

Party of Russian Unity and Concord: 4.70%

Democratic Party of Russia: 4.64%

Yabloko: 4.57%

In single-member districts: one Agrarian Party of Russia, one 12th

December Union

Turnout: 67.03% (Russia overall: 54.34%)

1991 Presidential Election

Yeltsin: 50.08%

Ryzhkov: 21.91%

Zhirinovskiy: 10.44%

Tuleev: 5.25%

Makashov: 5.08%

Bakatin: 2.99%

Turnout: 85.43% (Russia overall: 76.66%)

Sources: Goroda Rossii [Cities of Russia], Moscow: Bolshaya Rossiiskaya

Entsiklopediya, 1994; Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections], Moscow: Yuridicheskaya Literatura, 1995; Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown], Moscow: Panorama, 1996; Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995], Moscow: Central Electoral Commission, 1996; S.A. Nagaev and A.Woergoetter: Regional Risk Rating in Russia, Vienna: Bank Austria, 1995.

Compiled by Silja Haas and Anna Paretskaya

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PATTERNS OF REGIONAL DEVELOPMENT

BOUNDARY DISPUTES CAUSE PROBLEMS FOR BORDER REGIONS

The Russian Federation faces a long list of boundary disputes which complicate life for the border regions sitting on the front-line of these conflicts. The most serious problems are along the border with Chechnya. While neither Russia nor any other country has recognized Chechen independence, the republic has essentially withdrawn from the rest of the country de facto. Despite the end of the fighting, Russian security authorities remain extremely concerned about the threat to Russia from within the separatist republic. Additionally, Russia has unresolved questions over borders with Latvia, Ukraine, Kazakstan, China, and Japan. The response of the Russian border regions has often been use the external threat as an excuse to impose authoritarian controls.

Chechnya is one of the most difficult problems for Russia. While the war was underway, separatist rebels launched terrorist attacks on Budennovsk in Stavropol Krai and Kizlyar and Pervomaiskoe in Dagestan. Since then Salman Raduev, the leader of the raid on Dagestan, has threatened to carry out further attacks on at least three Russian cities on 21 April to mark the anniversary of former Chechen President Dzhokar Dudaev's death. The regions that are contiguous with Chechnya - Dagestan, Stavropol Krai, North Ossetiya, and Ingushetiya - suffer from a considerable amount of cross border crime, including numerous armed incursions. In Budennovsk, where many of the federal troops who fought in Chechnya are now based and selling their weapons, it is possible to buy a hand grenade at the local market for 15,000 rubles, about \$3, NTV reported. On 4 March, a soldier set off a bomb in a local disco after an argument, injuring 11 people. Citing the dramatic rise in crime in the Sunzha and Malgobek regions near Chechnya, Ingushetiya's President Ruslan Aushev on 4 March called for more patrols and the creation of a new court that could more effectively deal with criminals. He threatened to dismiss members of his government if the situation did not improve.

Latvia and Russia have disputed the exact line of their border since Latvia left the Soviet Union following the August 1991 coup. At 24-25 February talks in Moscow, however, the Latvians gave up their demand that any new border treaty with Russia recognize the 1920 Riga Peace Treaty. That treaty gave Latvia 463 square miles of territory currently located in Pskov Oblast. By de linking the border agreement from the recognition of the peace treaty, Latvia seemed to be giving up its claim to the Pskov land. In November 1996 Estonia had made a similar move, de linking the border treaty from its own 1920 peace treaty. Both Estonia and Latvia were under discreet pressure from the Council of Europe and NATO to regularize their relations with Russia by solving their border disputes. However, an article in Izvestiya on 5 March suggested that the Russian side remains suspicious that the Baltic countries will renew their territorial claims in the future.

The border dispute had radicalized the Pskov population, leading them to elect Yevgenii Mikhailov, a member of Vladimir Zhirinovskiy's Liberal Democratic Party of Russia, as their governor on 3 November. Despite the fears of the local democrats, however, Mikhailov has not noticeably worsened relations between the region and its Baltic neighbor (See Novosti pskova, 3 December 1996). In fact, on 3 March, Pskov Oblast and Latvia signed an agreement in which both sides pledged to improve

the ecology of the border regions by reducing the dumping of hazardous wastes into the local water supply, atmosphere, and soil, ITAR-TASS reported.

Since the collapse of the Soviet Union, Russia also has not delimited its border with Ukraine. The Ukrainian authorities have complained bitterly about Russia's unwillingness to move ahead on this issue and threatened once again on 24 February to proceed unilaterally if Russia did not cooperate. Where the line is finally drawn could have consequences for Bryansk, Kursk, Belgorod, Voronezh, and Rostov oblasts, all bordering on Ukraine. Resolution of the border issue, however, is further complicated by the disputes over the division of the Black Sea fleet and the status of Sevastopol. In 1995, Belgorod Governor Yevgenii Savchenko proposed that the presidents of Russia, Ukraine, and Belarus meet in Belgorod to discuss greater unity among the Slavic peoples. While Belarus has moved ahead with this idea, Ukraine is intent on maintaining its complete separation from Russia.

Russia has also had difficulty on its 7,000 km border with Kazakstan, complaining about the danger of drug flows from Central Asia; the trans-shipment of cheap imports from China and other countries; and the export of Russian strategic materials. Cossacks living on the Russian side of the border have long been concerned that Kazakstani authorities are mistreating ethnic Russians living in the northern part of that country. Yeltsin's 12 February decree impressing Cossacks into state service will allow them to begin patrolling the border with Kazakstan. The head of the Cossack department in the Federal Border Service told Pravda-5 on 18 February that the Cossacks would be working in particular in Omsk, Chelyabinsk, Orenburg, and Saratov oblasts.

The Russian-Chinese border is 4,200 km and runs along five Russian regions. Although Russia and China signed a preliminary agreement on their border in 1991, Primorskii Krai Governor Yevgenii Nazdratenko has loudly protested that the loss of 1,500 hectares would seriously injure Russia's strategic interests. The border adjustments could enable China to gain access to the ocean down the Tumen river which separates Russia and North Korea. The chairman of the Russian delegation to the joint Russian-Chinese demarcation committee Genrikh Kireev strenuously dismissed Nazdratenko's charges as "groundless speculation" in Nezavisimaya gazeta's Nezavisimoe voennoe obozrenie for 15-21 February. Nazdratenko is using the border conflict to win popularity with local voters and distract public attention from the serious energy and arrears crises facing his region. Local Cossacks have supported him, but his actions have provoked the ire of federal officials all the way up to Yeltsin, a situation that also might play well with the local electorate.

Finally, Russia has never resolved its dispute with Japan over the Kuril Islands, which both sides claim as rightfully theirs. Russia has had possession of the islands since 1945. In his most recent trip to Japan, Russian Foreign Minister Yevgenii Primakov suggested joint Russian and Japanese cooperation in developing the islands, an idea Yeltsin endorsed in his 6 March annual address to the parliament. The Japanese said that they would consider the idea, but in the past have been opposed to anything short of repossession. In this case, the local and federal authorities are in complete agreement. The Sakhalin Oblast administration is now planning a ceremony to mark the 300th anniversary of the discovery of the islands by Russian explorers in 1697, hoping that the festivities will further legitimize Russian claims to the land. The Sakhalin Oblast Duma's recent decision to stop payments to the federal budget, however, reflect the poor economic conditions there and

the desperation of the local leaders for resolving the local economic crisis. Normalized relations with Japan and the subsequent growth in economic ties could help alleviate the oblast's current problems.

The main consequence of the boundary disputes for Russia's border regions seems to be a strengthening of authoritarian rule by local leaders. In the west, south, and east, the threat from across international lines (and de facto international lines in the case of Chechnya) has stimulated measures that threaten the civil rights of local populations. While situations vary from region to region, the election of a member of Zhirinovskiy's party as governor in Pskov, the imposition of emergency controls in the North Caucasus, and Nazdratenko's continuing strong-arm rule in the Far East limit local freedoms. -- Robert Orttung

PATTERNS OF POLITICAL DEVELOPMENT

VLADIVOSTOK MAYOR SEEKS TO DRUM UP POPULAR SUPPORT. Faced with the possibility of being ousted from office a second time, Vladivostok Mayor Viktor Cherepkov is proposing a number of populist measures in an attempt to unite both democrats and leftists behind him in his battle with Primorskii Krai Governor Yevgenii Nazdratenko and the regional administration. The Primorskii Krai court is currently examining a petition from the kraia Duma accusing Cherepkov of taking illegal measures. If, as most observers deem likely, the court finds against the mayor, the way would be cleared for him to be dismissed by the Duma under the Law on Self-Government (see Russian Regional Report, 20 February 1997).

In an attempt to secure his position, Cherepkov has proposed a city referendum for 23 March that would ask voters to approve broad powers for the mayor's office, *Izvestiya* reported on 4 March. To drum up support for the mayor among the city's poorer groups, the referendum would also ask voters to approve three blatantly populist measures: free public transport, fixed prices for bread, and a free city newspaper. The mayor's office argues that only 15% of Vladivostok residents currently pay for tickets, as the rest enjoy free travel passes (by dint of their profession or status as veterans etc.). It is proposing a tax on local enterprises to cover the subsidies. The paper, *Primore*, which is already being issued, serves to publicize the mayor's views. Cherepkov's former press secretary Valerii Venevtsev told *Izvestiya*, however, that he believes Cherepkov will be dismissed before the referendum can be held unless he receives help from Moscow. -- Penny Morvant

CENTER-PERIPHERY RELATIONS

CENTER, REGIONS BATTLE OVER ADVERTISING. In the Soviet era, advertising was unnecessary since demand for most goods was usually greater than supply. Under conditions prevailing today, however, it is a rapidly growing business. On 4 March the Constitutional Court handed down a decision that placed advertising squarely in the jurisdiction of the federal government.

At issue in the case was a 1995 law that gave the federal government control over advertising and prohibited regional governments from adopting their own regulations. But both the Moscow and Omsk regional legislatures objected that advertising is really in the sphere of culture, which the Constitution assigns to regional jurisdictions. They also claimed that since the Constitution does not mention advertising explicitly, it falls under regional control, *Segodnya*

reported 14 February. Some regional governments had adopted their own rules. Tyumen Oblast, for example, outlawed advertising alcohol and tobacco before the federal government took up this issue. Sverdlovsk Oblast outlawed the use of foreign words in ads, Kommersant-Daily reported. The federal government defined advertising as part of the overall market economy, the regulation of which falls under federal jurisdiction.

The court's ruling gave the federal government control over advertising because it viewed the promotion of goods and services as a key element in promoting a unified Russian market. The decision shows that the court backs the government's campaign against the regions' attempts at "legal separatism."

While the regions cannot control advertising, they can still profit from it. Russia's tax code allows local governments (cities and raions) to tax advertising at rates up to 5% of the cost of the ad. Most jurisdictions are currently taxing at the maximum rate, according to Kommersant-Daily on 5 March. Still, it does not generate enormous revenues. Moscow expects to cover 0.22% of its budget with advertising tax revenue in 1997. -- Robert Orttung

JUSTICE MINISTRY WARNS REGIONS THAT THEY ARE NOT COMPLYING WITH FEDERAL LEGISLATION. Russian Justice Minister Valentin Kovalev has notified eight regional executives that their administrations are violating the law by not sending their decrees to the ministry for legal examination, Rossiiskie vesti reported on 27 February. The warning was sent to the governors of Rostov, Chelyabinsk, Smolensk oblasts, and Ust-Orda Buryat, Evenk, Komi-Permyak, and Taimyr autonomous okrugs. The ministry requires all regional laws and edicts to undergo ministerial examination to check their compliance with federal laws. Twenty federation subjects have been notified that their laws violate federal legislation since the beginning of the year.

The federal government recently launched a campaign to bring regional legislation in line with federal standards. In December, Anatolii Chubais, the presidential Chief of Staff, announced that local laws of about one third of the country's federation subjects contradict the federal Constitution. Almost half of the regional decrees adopted in 1995-1996 violate federal norms, he stated. The majority of the contradictions appear in laws adopted by the national republics; the constitutions of all republics, except Kalmykiya and Kareliya, have provisions that violate the federal constitution. Moreover, after examining the statutes of 29 oblasts and 4 autonomous okrugs, federal authorities found violations of federal legislation in the statutes of Omsk, Sverdlovsk, Tyumen, Samara, Irkutsk, Pskov, Arkhangelsk, and Volgograd oblasts, according to Kommersant (no. 8). Some regions, for instance, claim the right of regional authorities to ratify international treaties, determine the responsibilities of judicial and law-enforcement agencies, and revise federal borders, when these prerogatives belong to the federal government. -- Anna Paretskaya in Moscow

UDMURT LEADER CONTINUES TO DEFY YELTSIN DECREE. Chairman of Udmurt State Council Aleksandr Volkov told Kommersant-Daily on 4 March that President Boris Yeltsin was deliberately misinformed about the situation in the republic. He claimed that Yeltsin's 21 February decree (see Russian Regional Report, 27 February 1997) had been drawn up before the presidential administration's representatives had visited the republic and, thus, did not take into account the real situation in Udmurtiya.

That decree ordered Udmurtiya to implement a Russian Constitutional Court ruling finding the April 1996 republican law abolishing popularly elected local government unconstitutional.

Volkov, however, once again insisted that, in general, the Constitutional Court had recognized the law as legitimate though he admitted that some specific provisions violate federal legislation. While Volkov remains defiant, Udmurtiya is not implementing the president's order. At the moment, there are two mayors in Izhevsk: Anatolii Saltykov, who was democratically elected, and one who was appointed by the State Council, Russian Public TV (ORT) reported 4 March. Additionally, the State Council is moving ahead with elections to a Soviet of Deputies of Cities and Raions in Udmurtiya, even though Yeltsin specifically banned such a measure. Volkov told the TV station that the seven specific steps Yeltsin ordered him to take were really merely recommendations.

Volkov told Kommersant-Daily that the republican parliament is now working on revising the law and hoped that the work will be finished in March. An official opinion poll in the republican capital Izhevsk will be held on 20 April to find out voters' views on city government. However, the newspaper pointed out that the Constitutional Court ruled that the form of local government may be changed only after a popular referendum. The opinion poll planned by republican officials will not be binding and its results may be ignored by authorities, particularly if voters oppose the elimination of popularly-elected local institutions.

In the meantime, the federal Procurator General did not make any statements even though the 10 day period in which the president asked him to study the situation and ensure that the republican authorities had complied with the court ruling expired on 3 March. -- Anna Paretskaya in Moscow

CENTER TO SIGN ANOTHER FIVE POWER-SHARING AGREEMENTS. Sergei Shakhrai's federal commission on power-sharing with federation subjects has prepared draft treaties with another five regions, Segodnya and Kommersant-Daily reported on 28 February. Bryansk and Samara oblasts will be the first to sign the treaties, followed by Astrakhan, Kirov, and Saratov oblasts. On the other hand, the federal government is not going to sign agreements with autonomous okrugs until they determine their relationship with the krais and oblasts on whose territory they are located, Shakhrai announced. The federal government signed treaties with Ust-Orda Buryat and Komi-Permyak autonomous okrugs simultaneously with Irkutsk and Perm oblasts, of which they are parts. Since February 1994, when the federal authorities concluded a treaty with Tatarstan, power-sharing treaties have been signed with 27 federation subjects. About half of them were signed by President Boris Yeltsin in 1996 during his electoral campaign. Shakhrai also said that the Justice Ministry and the Procurator General must approve the draft treaties before they are signed. -- Anna Paretskaya in Moscow

SAMARA GOVERNOR SLAMS CHERNOMYRDIN. Samara Oblast Governor Konstantin Titov is not satisfied with Prime Minister Viktor Chernomyrdin's performance in office. He claimed that Chernomyrdin, who is also the chairman of Our Home Is Russia (NDR), was conducting a policy that ran counter to NDR's platform calling for greater support for domestic producers and a simplification of the taxation system, Obshchaya gazeta (no. 8) reported. Moreover, Titov, who serves as NDR's deputy chairman, announced that the movement's agenda was much less attractive to producers and entrepreneurs than the program proposed by former

presidential candidate and Security Council Secretary Aleksandr Lebed. Lebed's policy proposals explain his growing popularity, Titov claimed. In addition, Titov, who had formerly always been loyal to the president and the government, appealed to NDR members to support Lebed. Furthermore, he called on the movement's leadership to initiate constitutional amendments in order to establish the position of a vice-president who would simultaneously head the Federation Council.

The newspaper suggested three explanations for Titov's move. First, Titov could have been thinking of Lebed's offer to make him prime minister if he won the presidency. Second, after rumors of Chernomyrdin's replacement had started to circulate, Titov may have been used either to put pressure on the prime minister or to make these rumors more credible. According to the third explanation, Titov's statement was part of a plan cooked up with Chernomyrdin in advance. Prior to the NDR's upcoming congress this spring, Chernomyrdin wanted to threaten his foes in the government and the presidential administration, as well as within the NDR, with the possibility that he would form an alliance with Lebed. The possibility of such an alliance would put Chernomyrdin in a stronger position in relation to Chubais in order to counter the chief of staff's attempts to control Chernomyrdin's government and NDR, the newspaper claimed. -- Anna Paretskaya in Moscow

SOCIAL ISSUES

SAKHA PROTESTS ROCKET LAUNCH IN AMUR OBLAST. The Sakha government has protested against a rocket launch from the new Svobodnyi cosmodrome in the neighboring Amur Oblast, ITAR-TASS reported. On 4 March, the same day as the Start-1 booster rocket sent a Zeya military satellite into orbit, Sakha Deputy Prime Minister Yegor Borisov pledged to sue Valerii Grin, the acting commander of Russia's Military Space Forces (VKS), for ignoring Sakha's demand that the launch be postponed for safety reasons. Borisov also called on the Sakha parliament to abrogate a treaty the republic and the Russian Defense Ministry had signed in June 1996 allowing rocket stages to fall on the republic's territory. On 1 March Borisov had expressed doubts about the "environmental and technical safety" of the scheduled launch and threatened to back out of the 1996 treaty if the launch went ahead without the local authorities' consent. Two days later, environmentalists took to the streets of Yakutsk to protest the launch, carrying placards saying "No rocket waste debris," "Preserve Nature," and "We don't want another Baikonur [the USSR's space center]." They also demanded that environmental impact studies be carried out in two raions where rocket stages were dumped following launches from Baikonur and the Plesetsk cosmodrome. The Sakha authorities have received support from an unlikely quarter--General Vyacheslav Artemenko, a VKS representative in the republic, described the launch as "premature" and an "unpleasant surprise." Grin, however, has sharply rejected Borisov's claim that the launch endangered the local population. Svobodnyi is intended to replace Baikonur (now in Kazakstan) as Russia's main space center. -- Penny Morvant

REGIONS FAIL TO MAKE PENSION CONTRIBUTIONS. Russian Federation Pension Fund head Vasilii Barchuk on 3 March bewailed a sharp drop in pension contributions from the regions in the second half of February, ORT reported. Barchuk said that the fund had received only 87% of contributions due for January and a lower percentage in February. He warned that the shortfall could lead to further delays in the payment of pensions, which are chronically in arrears in many parts of the country.

Barchuk was particularly critical of Vologda, Sverdlovsk, Kemerovo, Kostroma, and Sakhalin oblasts; Chukots Autonomous Okrug, Yakutiya, and Altai Krai. Those regions, he complained, reduced their contributions each month for "not very understandable reasons." -- Penny Morvant

TRIPARTITE AGREEMENT SIGNED IN YAROSLAVL OBLAST. The Yaroslavl Oblast administration, the regional council of trade unions, and the local economic council have signed their fifth annual agreement on cooperation in the social sphere, ITAR-TASS reported on 4 March. The objective of the 1997 agreement is to reduce the wage debt in the oblast and implement a program to support the poor. The oblast administration and local employers (whose interests are represented by the economic council) will implement the measures, while the trade union council will supervise and monitor the program's execution. -- Natalia Gurushina

ECONOMIC DEVELOPMENTS

SAKHALIN OIL PROJECTS RUN INTO OPPOSITION. The Nivkhi, one of the indigenous peoples of Sakhalin, are objecting to plans to develop Sakhalin's off-shore oil deposits on environmental grounds, Izvestiya reported on 25 February. Native leader Vladimir Sangi has sent letters containing these claims to the UN General Assembly and Council of Europe. Even though the Nivkhi number less than 5,000, their protest could carry some weight. In the past, the World Bank has withdrawn from funding oil projects in Western Siberia because of protests from indigenous peoples. In June 1996 Exxon (U.S.) and Sodeko (Japan) signed a deal to begin the first \$300 million appraisal phase in the sea of Okhotsk off Sakhalin. Exxon and Sodeko hold a 30% stake each in Sakhalin-1, the Russian companies Rosneft and Sakhalinmorneftegaz hold 17% and 23% respectively. The first wave of fields may need \$5 billion investment, and the second wave, Sakhalin 2, another \$10 billion. The projects will not begin until the State Duma approves the sites for inclusion in the 1995 Production Sharing Law. -- Peter Rutland

MORE PROTESTS AGAINST MOSCOW-ST. PETERSBURG RAILROAD PROJECT. A number of Duma deputies on 5 March asked three of the lower house's committees to draft an appeal to President Boris Yeltsin to scrap the projected construction of a high-speed rail link between Moscow and St. Petersburg, ITAR-TASS reported. Less than a week earlier a group of deputies and environmental activists petitioned the Supreme Court in a bid to outlaw the project on the grounds that it violates environmental legislation. Environmentalists fear the 650-kilometer line would damage the Valdai National Park and disrupt the fragile water balance in the region (see also Russian Regional Report, 29 January 1997). Rossiiskaya gazeta on 28 February also criticized the project as unnecessary, contending that it would be cheaper and ecologically safer to modernize the existing line. The governor of Tver Oblast, Vladimir Platov, argues that a referendum should be held in all the regions through which the line would pass. The idea of a high-speed link between the two cities was first raised by the USSR Council of Ministers in 1988, but his always attracted criticism on both environmental and financial grounds. The scheme has enjoyed considerable high-level support: Deputy Prime Minister Aleksei Bolshakov headed the project prior to his appointment to the government last year. It has, however, -- Penny Morvant

NOVOSIBIRSK SUPPORTS LOCAL BANKS. The Novosibirsk regional council has passed a law according to which only local banks will be allowed to work

with budgetary funds, Kommersant-Daily reported on 28 February. The status of "authorized" bank will be granted for one year by the oblast's council and a specially created selection commission. The council's decision (which is very likely to be approved by Novosibirsk Oblast Governor Vitalii Mukha and which may be the result of the local banks' lobbying efforts) will do nothing to improve relations between local and big-city (Moscow and St. Petersburg) banks in the region. Although most big-city banks usually move to regions in order to monitor the activity of their clients there, provincial banks complain that they are increasingly losing their clientele to them. Under these circumstances, making the service of budgetary funds a prerogative of local banks should improve their financial position. It can also allow the regional authorities to exercise firmer control over transfers of budgetary funds in the oblast. The decision, however, may widen a gap between the five or six "authorized" banks (Levoberezhnyi bank, Sibirskii bank, Sibekobank, and Aktsept bank are believed to be the most likely candidates) and the rest of the 22 commercial banks in the Novosibirsk oblast, since the "authorized" banks will also be allowed to participate in local economic programs and be given preference in floating local municipal bond issues. -- Natalia Gurushina

GAZPROM SIGNS ANOTHER REGIONAL AGREEMENT... Gazprom Chairman Rem Vyakhirev and Omsk Oblast Governor Leonid Polezhaev have signed a cooperation agreement for a period of five years, Rossiiskaya gazeta reported on 28 February. With the help of Gazprom, 13 of the oblast's districts will have a gas distribution network installed. Previously, the project had been financed by the regional budget and by local enterprises, both state owned and private. Now, Gazprom will cover half of the required 800 billion rubles (over \$140 million), while the other half will be paid by local corporate gas consumers, such as Omskenergo. Gazprom has already signed similar cooperation treaties with several regions of the Russian Federation, including Kursk Oblast last week (see Russian Regional Report, 27 February 1997). -- Anna Paretskaya in Moscow

... AND CLAMPS DOWN ON DEBTORS IN TATARSTAN. Gazprom has chosen an unorthodox way of convincing some of its largest debtors in Tatarstan to pay off arrears for gas supplies, ITAR-TASS reported on 5 March. These firms - which include the heavy-truck manufacturer KamAZ and a number of chemical and petrochemical plants - will be required to issue promissory notes (vekselya) which then will be sold at a special auction which is slated for March and will be organized by Moskovskii vekselnyi bank. The proceeds are expected to be used for repaying the debt. If companies refuse to float vekselnya, Gazprom is threatening to cut off their gas supplies. The total debt of Tatarstan's companies to Gazprom has now reached 2.5 trillion rubles (\$440 million). -- Natalia Gurushina

Compiled by Robert Orttung

REGIONAL PROFILE: NOVOSIBIRSK OBLAST

Governor: Vitalii Mukha

After graduating from the Kharkov Aviation Institute, Mukha worked for 28 years in the aviation industry, making his way up from foreman to director general of a production association. In 1988, he started his political career, which includes stints as the first secretary of the KPSS obkom, chairman of the Novosibirsk oblast soviet, and deputy of the

RSFSR Congress of People's Deputies. In November 1991, Yeltsin appointed Mukha governor, but his strong emphasis on regionalism quickly led to repeated differences with the central government. In March 1993, Yeltsin fired him and Irkutsk governor Yurii Nozhikov in a televised speech, but both were reinstated a couple of days later, following public protests. In Yeltsin's increasing conflict with the legislature, Mukha sided from the very beginning with Ruslan Khasbulatov's Supreme Soviet. During the occupation of the White House in Sept./Oct. 1993, together with other Siberian leaders, he even threatened the Yeltsin government with a blockade of the Trans-Siberian Railroad. This action led the victorious Yeltsin to fire him again. During the following two years, Mukha worked as a banker. After winning a popular gubernatorial election in December 1995, he and Yeltsin agreed to put their past differences behind them. Since then, Mukha has followed a more pragmatic policy within his economically-depressed region, making serious efforts to attract investment capital. During the 1996 presidential campaign, he remained neutral. In December 1996, he was elected chairman of the regional association Siberian Accord, a post he had already held from 1992-1994.

Other Local Leaders

Chairman of the Deputies' Assembly - Anatolii Sychev (elected in April 1994)

Brief Overview

Novosibirsk is located in the south of the West Siberian Plain. The oblast's area covers most of the Baraba Lowland to the west of the Middle Ob River, the north of which is in swampy taiga turning southward into forest steppe and steppe with numerous lakes. Most of the fertile steppe is under cultivation: rye, wheat and sunflowers being the main crops. The oblast is almost entirely rural except for the capital, Novosibirsk city (pop. 1.5 million), a regional Siberian center. The industry of Novosibirsk city is dominated by metallurgy and engineering, with a high share of defense industry which began mostly during the evacuation of production facilities from western Russia during World War II. Novosibirsk (from 1895 to 1925 Novonikolaevsk) was founded in 1893, at the crossing point of the projected Trans-Siberian-Railroad and the navigable Ob River. To the south of the city on the shores of the Novosibirsk reservoir lies Akademgorodok, a city replete with research institutes that is almost exclusively inhabited by scientists.

Basic Facts

1995 Population (est.): 2,748,500 (1.85% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 1.13%

Agricultural production as percentage of all Russian production (1994): 2.26%

Average personal income index in July 1995: 67 (Russia as a whole = 100)

Price basket index in July 1995: 95 (Russia = 100)

Average back wages owed per person (September 1995): 52,500 rubles (Russian average = 37,100)

Urban population: 73.8% (Russia overall: 73.0%)

Student population (1993): 245 per 10,000 (Russia overall: 171/10,000);

Pensioner population (1994): 23.2%

Percent of population with higher education (1989 census): 11.6% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 27.8% (Russian average: 29.9%); Agriculture: 13.1% (12.8%); Trade: 9.2% (9.1%);

Culture: 15.0% (13.6%); Management: 2.2%(2.3%)
Number of telephones per 100 families (1993): in cities: 40.2 (Russian average: 41.5); in villages: 19.6 (17.2)
According to a 1995 survey by Bank Austria, the oblast is 48th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 25.61%/43.74% (first round/second round)
Zyuganov: 34.96%/48.9%
Lebed: 10%, Zhirinovskiy: 9.76%, Yavlinskii: 13.94%
Turnout: 721.18%/66.86% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 21.26%
Liberal Democratic Party of Russia: 18.06%
Our Home Is Russia: 7.18%
Yabloko: 5.80%
Agrarian Party of Russia: 5.10%
Women of Russia: 4.52%
Communists-Workers' Russia: 3.64%
Party of Workers' Self-Government: 4.31%
In single-member districts: 1 Agrarian Party of Russia,
2 independent, 1 Liberal Democratic Party of Russia
Turnout: 66.69% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" - 49.92% "No" - 46.97%

1993 Parliamentary Election

Liberal Democratic Party of Russia: 25.64%
Yabloko: 12.23%
Russia's Choice: 12.06%
Communist Party of the Russian Federation: 11.44%
Agrarian Party of Russia: 8.69%
Women of Russia: 7.78%
Democratic Party of Russia: 7.25%
Party of Russian Unity and Concord: 5.61%
From electoral associations: 1 Communist Party of the Russian Federation, 1 Liberal Democratic Party of Russia
In single-member districts: 1 Agrarian Party of Russia, 1 Russia's Way, 1 independent, 1 Russia's Choice
Turnout: 51.04% (Russia overall: 54.34%)

1991 Presidential Election

Yeltsin: 57.07%, Ryzhkov: 18.64%,
Zhirinovskiy: 7.92%, Tuleev: 6.96%
Bakatin: 3.13%, Makashov: 1.98%
Turnout: 73.57% (Russia overall: 76.66%)

Sources: Goroda Rossii [Cities of Russia], Moscow: Bolshaya Rossiiskaya Entsiklopediya, 1994; Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections], Moscow: Yuridicheskaya Literatura, 1995; Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown], Moscow: Panorama, 1996; Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995], Moscow: Central Electoral Commission, 1996; S.A. Nagaev

and A.Woergoetter: Regional Risk Rating in Russia, Vienna: Bank Austria, 1995.

Compiled by Silja Haas and Anna Paretskaya

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CENTER-PERIPHERY RELATIONS

REGIONAL LEADERS SEEK ECONOMIC INDEPENDENCE FROM CENTER

In the wake of the gubernatorial elections, the power struggle between regional and federal authorities is moving from the political to the economic sphere. During the last few weeks, several regional leaders have declared their dissatisfaction with Moscow's economic policies and announced the intent to deal with their problems locally. Although Moscow applauds regional self-help programs, it is concerned about the increasing economic separatism apparent throughout the country. Though it is unlikely that the regional leaders' revolt was planned in advance, the center is now facing a concerted attack.

The large-scale regional economic revolt began in February 1997 when the association of Ural executives headed by Sverdlovsk Oblast Governor Eduard Rossel accused the federal authorities of leaving the regions without support. The governors proclaimed that the center's economic policy was unrealistic and ineffective and that its greatest accomplishment, the lower inflation rate of 1996, was achieved at the expense of losses in the industrial and social spheres.

At about the same time, the Sakhalin Oblast legislature voted to discontinue any contributions to the federal budget. Legislators declared they were forced to take this decision because the government had not been transferring money from the federal budget to the oblast, causing delays in wages, pensions, and other social payments. Though government spokesman Igor Shabdurasulov called the decision unconstitutional, the oblast governor, Igor Fakhrutdinov, supported the regional legislature. However, in early March, he called on the assembly to revoke the ruling after the government had made good on some of its financial obligations to the oblast.

Just a few days later, another governor, Yurii Nozhikov of Irkutsk Oblast made a similar move. After fruitless consultations with Prime Minister Viktor Chernomyrdin, First Deputy Prime Minister Vladimir Potanin, and Finance Minister Aleksandr Lifshits, he terminated payments to the federal budget as of 1 March. Nozhikov complained that federal debts to the oblast totaled about 2 trillion rubles (over \$350 million at the current exchange rate), while Irkutsk Oblast transferred almost 4 trillion rubles to the federal budget during 1996. Nozhikov's offensive was also unsuccessful; and several days later, the Finance Ministry and Procurator-General's Office forced him to cancel the decree. Nevertheless, many governors, including Nikolai Sevryugin of Tula Oblast and Nikolai Kondratenko of Krasnodar Krai, supported their colleagues' attack on the central government, saying they were ready to undertake similar action if the center failed to fulfill its promises. Sevryugin, who faces the voters on 23 March, also called upon other regional leaders to join the struggle, claiming it is the center that is unable to survive without the support of the regions and not vice versa. Segodnya reported on 6 March. In fact, only about 10 of the regions are net contributors to the federal budget.

Moreover, the leaders of Komi, Kareliya, and the Khanty-Mansi and Yamal-Nenets autonomous okrugs have said that their representatives in both houses of parliament will block passage of the new tax code, Segodnya reported on 6 March. They claimed that the new code discriminates against enterprises located in the north, and they requested modification of the taxation system, giving lucrative

privileges to northern enterprises, including a 50% reduction in the tax on profit.

Besides attacking the foundations of Russia's fiscal system, regional leaders are trying to gain more influence in local industry. Sverdlovsk Oblast Deputy Prime Minister Aleksandr Burkov announced that several regional enterprises will be re-nationalized, Kommersant-Daily reported the same day. The oblast property committee is preparing a decree on regional property deprivatization that will include a list of enterprises whose efficiency will be examined. If an enterprise is found to have been privatized in violation of the law or is not making a profit, the oblast government may take it over.

The federal government is now facing a dilemma. Either it can start to pay more attention to the regions' demands to prevent an organized rebellion by the regional leaders against the center; or it can take measures to encourage those leaders to be more cooperative. One of the simplest measures would be to make regional heads and their constituencies aware that the dire economic situation of their regions is largely their own responsibility. For instance, delays of budgetary transfers to the regions are, to a great extent, caused by regional debts to the federal budget that now amount to 35 trillion rubles, according to a Finance Ministry analysis, Finansovye izvestiya reported on 11 March. In addition, many regions reduced their contributions to the federal Pension Fund in February by as much as 40%-50%, according to First Deputy Prime Minister Viktor Ilyushin, Segodnya reported. Therefore, regions suffer economic hardship partly because their leaders are unable to collect money from regional enterprises or because the money, once collected, is misused. The recent developments also reveal that there is an increasing power struggle within local governments in many regions, which means that the regional "front-line" is not as homogeneous as it might seem. This division might reduce the regions' ability to claim more economic concessions from the federal government.
-- Anna Paretskaya in Moscow

CENTER WANTS TO USE MAYORS TO COUNTERBALANCE GOVERNORS. The presidential administration and the federal government have started to seek closer relations with mayors. This became apparent by the end of the gubernatorial election marathon of 1996. Analysts say that Yeltsin's staff began to pin their hopes for building a strong executive-branch regional network on the mayors after the governors signaled they would seek to pursue more independent policies. Though mayors are also elected, the administration expects them to be more cooperative than republic and oblast officials. It also hopes they will counterbalance the leaders of the federation subjects, over whom the center has no legal power.

Though the president of the Russian Union of Cities, Valerii Kirpichnikov, told Moscow Television on 28 January that mayors have become mature and independent politicians, he admitted that they can hardly fulfill their duties without the support of both regional and federal authorities. However, regional authorities often create obstacles for mayors and even openly confront them, as has been the case in Primore, Khakasiya, and Udmurtiya. Most conflicts between local and regional authorities are due to the separation of budgetary funds and property, which is required by the law on local government, Nizhnii Novgorod Governor Boris Nemtsov told Segodnya on 18 January. The relatively weak mayors are more likely to seek the support of the federal administration than are governors. The federal administration may, in turn, use such conflicts for its own advantage; and, since it

wants to control the activities of republican and regional leaders, it is likely to side with the mayors.

For instance, the presidential administration turned a conflict between Primorskii Krai Governor Yevgenii Nazdratenko, an old enemy of former Presidential Chief of Staff Anatolii Chubais, and Vladivostok Mayor Viktor Cherepkov to its advantage, Kommersant, no. 8, claimed. Nazdratenko's authority in the region has shrunk considerably, as has his ability to lobby regional interests at the federal level, the magazine argued. In the meantime, Cherepkov, who was ousted from office by a presidential decree but now enjoys the center's support, has gained authority in the krai, securing the support of powerful regional businessmen. He has also become an increasingly influential promoter of the region's interests in Moscow.

Sometimes, the center uses conflicts between regional and local authorities to demonstrate to the other federation subjects its ability to impose order in the regions. This has been the case in Udmurtiya, which is one of many Russian federation subjects whose laws violate federal legislation. By forcing the republic to annul its law abolishing local government institutions, albeit after a long struggle (see OMRI Daily Digest, 12 March 1996), the center signaled to other law-breaking regions that if they do not bring their legislation into line with federal laws, the center will take action against them.

Mayors, especially those of major cities, are capable of becoming a political force to be reckoned with; and, if they have the help of the center, they could reduce the authority of republican presidents and oblast governors. However, the center could come into conflict with the country's several hundred mayors, just as it is now up against the 89 regional executives. Although the mayors would presumably have more difficulty coordinating their actions than the governors -- not least because there are more mayors than governors -- the center currently lacks the resources to prevail if such a conflict were to arise, Kommersant argued. -- Anna Paretskaya in Moscow

CONSTITUTIONAL COURT EXAMINES PRESIDENTIAL DECREES ON REGIONAL ELECTIONS. On 4 March, the Constitutional Court started hearings on the constitutionality of two presidential decrees allowing regional legislatures to extend their terms of office for another two years. Duma deputies led by Deputy Speaker Sergei Baburin, who initiated the case, insist that President Boris Yeltsin exceeded his powers and abused voters' rights by extending those terms. Should the court rule that the decrees are illegal, the legitimacy of the current Federation Council--the federal parliament's upper house, which is composed ex officio of regional executive and legislative branch leaders--may be called into question.

In November 1993, Yeltsin issued a decree ordering all federation subjects, except the national republics (which had their own electoral laws) to elect legislative assemblies for a two-year term within the following few months. The regions complied and the two-year terms began to expire in the second half of 1995. But in September 1995, Yeltsin signed another decree postponing all regional legislative elections until December 1997. The president did not want local elections interfering with the summer 1996 presidential campaign. In the meantime, the existing legislative institutions were instructed to extend their term of office until the postponed elections were held. Complying with the decrees, many regional legislatures extended their terms. However, some Duma deputies and several regional legislatures and courts (including the Nizhnii Novgorod Oblast Legislative Assembly and the Perm

and Vologda oblast courts) challenged the president and asked the Constitutional Court to rule on the validity of his actions. (In March 1996, Yeltsin signed another decree allowing regions to schedule new elections to their legislatures individually; more than 20 kraia and oblasts held legislative elections before the end of the year.)

Sergei Shakhrai, the presidential representative to the Constitutional Court, argues that the president signed the decrees postponing the elections because many of the federation subjects had not yet passed their regional charters and electoral laws, documents necessary to regulate the electoral process. The decrees' opponents charge, however, that the president's actions deprived voters of the right to elect new legislatures. If the court decides that the decrees were illegal and that the regional legislatures that prolonged their term of office did so illegitimately, the Federation Council may lose 42 of its 178 members.

Segodnya on 6 March suggested that some Duma deputies have deliberately launched an assault on the Federation Council. In addition to the latest appeal, the Duma sent a petition to the court in February asking it to examine the constitutionality of the Federal Council's composition. The appeal claims that the current procedure of appointing the upper house's members violates the separation of powers enshrined in the federal constitution since regional presidents and governors make up half of that body. The newspaper comments that the attack is aimed at compromising the latest decisions taken by the Federation Council, which often rejects bills adopted by the Duma. -- Anna Paretskaya in Moscow

REGIONAL LEADERS PRAISE CHUBAIS APPOINTMENT. Tatarstan President Mintimer Shaimiev unexpectedly spoke out in support of Anatolii Chubais's return to the government as first deputy prime minister, saying Chubais would carry out an "energetic policy" of reform, NTV reported on 12 March. Shaimiev's comments were surprising because, like many regional leaders, he has clashed with Chubais in the past over privatization policy. When Prime Minister Viktor Chernomyrdin founded the Our Home Is Russia movement in 1995, Shaimiev was reportedly one of the regional leaders who insisted that Chubais not join the pro-government movement. Recently Moscow Mayor Yurii Luzhkov, himself a sharp critic of Chubais in the past, also positively assessed Chubais's return to the government. Luzhkov predicted that Chubais's "decisiveness" would improve the cabinet's work. The state-controlled Russian media have showcased positive comments about Chubais by many other regional leaders, including Nizhnii Novgorod Governor Boris Nemtsov, Rostov Oblast Governor Vladimir Chub, Leningrad Oblast Governor Vadim Gustov, and Yaroslavl Oblast Governor Anatolii Lisitsyn. -- Laura Belin

KOTENKOV: ADVOCATE OF NEW FEDERALISM. Aleksandr Kotenkov, President Yeltsin's official representative in the Duma, argued for the need to introduce genuine federalism in Russia in an interview with Ekonomicheskaya nedelya, 7 March. Kotenkov criticized the current situation, whereby only 15 of the 89 federation subjects are net donors to the federal budget and the rest are dependent on transfers. "Don't give subsidies to the regions, but the power to raise taxes," Kotenkov argued. He also advocates strengthening the powers of local government at the sub-oblast level, something that he recognizes is opposed by much of the political elite. Moscow Mayor Luzhkov is a trenchant critic of that idea, but Kotenkov said that "special arrangements" could be made for Moscow and St. Petersburg to recognize their individual problems.

Kotenkov served as deputy minister for nationalities affairs from January 1994 to January 1996, when he was shifted to his present position. In the interview, he made the interesting historical observation that Russia has always essentially been a unitary state -- and now faces the challenge of trying to build federalism "from above." The other successful federations in the world today, such as the U.S., India, and Germany, had the historical advantage of emerging from a group of smaller pre-existing political units.

Kotenkov is a 44-year old retired major-general, with 20 years' service in the army. He has higher degrees in engineering, military science, and law. He is a leader of Sergei Shakhrai's Party of Russian Unity and Concord (PRES). In January 1992, he was appointed deputy head of President Yeltsin's State-Law Administration (GPU) and was GPU head from May 1992 to December 1993. The GPU prepares and checks the legal documentation of the presidency. Kotenkov lost his post "for political reasons" in December 1993, and he coordinated the PRES campaign in that month's Duma elections, in which PRES refused to join the bloc of Russia's Choice, the pro-government party of that time. He describes PRES as a "strong state party" (partiya gosudarstvennikov) but clearly differs from the mainstream reformers in calling for a less Moscow-centric approach to policy-making. -- Peter Rutland

PATTERNS OF REGIONAL DEVELOPMENT

BRIDE-STEALING IN INGUSHETIYA. The Caucasian tradition of bride-stealing survives in Ingushetiya. Police in Malgobek district recently had to drop the prosecution of a man accused of abducting a girl after she withdrew her complaint and agreed to marry her abductor, ITAR-TASS reported on 11 March. Even before police intervened, local elders secured the return of the unwilling girl to her parents' house, but she reconsidered and consented to the marriage. Such incidents are relatively rare now, but the report suggested that the abducted girl usually agrees to marriage because of pressure from her family, and partly because if a girl has been stolen once, tradition dictates that she never be taken again. According to the Ingush newspaper Kavkazskaya Zdravnitsa, local legend has it that the recipe of kefir, the Russian yogurt, was obtained by the wife of a Russian official who was abducted and escaped in the last century. -- Peter Rutland

RUSSIAN-ONLY STORE SIGNS IN MOSCOW. Moscow Mayor Luzhkov signed a decree on 20 February stipulating that, as of 1 June, all stores must carry a sign in the Russian language, St. Petersburg Times reported on 9 March. The measure, specifying which words are to be used to describe various types of store, is aimed at curtailing the burgeoning use of English terms like "supermarket." City inspectors will fine offenders. Last November, Moscow introduced rules requiring firms to keep Latin script on signs to half the size of the Russian words. Luzhkov is emulating a 1994 French law requiring the use of French words on public signs. -- Peter Rutland

SOCIAL ISSUES

TVER PENSION PROTEST. About 50 angry pensioners blocked the Moscow-St. Petersburg railway line near Tver on 11 March and held up trains for more than five hours to demand that their pensions be paid, ITAR-TASS reported. This was the third such protest by Tver pensioners since December 1996. -- Peter Rutland

TROOPS WITHDRAWN FROM CHECHNYA NEED PSYCHOLOGICAL HELP. The majority of the soldiers of the 205th Brigade, who were withdrawn from Chechnya and are now based in the Stavropol Krai town of Budennovsk, are in need of professional psychiatric care, ITAR-TASS reported on 12 March, citing Yevgeniya Poplavskaya, the head of the Order of Charity and Social Protection. Poplavskaya recently toured the town, where the troops are now quartered in tents and other temporary facilities. She attributed the "monstrous moral condition" of the soldiers to inadequate supplies of food, clothing, and medicine. She noted some soldiers had resorted to breaking into local houses not to steal food but just to bathe, as the military has not provided adequate sanitary facilities. She added that the soldiers were also targeted by criminals who had flocked to the town to exploit them. -- Scott Parrish

ECONOMIC DEVELOPMENTS

YELTSIN VETOES LAW ON ROAD FUNDS. Yeltsin has vetoed the law on road funds approved by the Federation Council in mid-February (see OMRI Russian Regional Report, 20 February 1997), Kommersant-Daily reported on 4 March. The law would have introduced a uniform tax on road users in all regions and transferred half of this money to the federal road fund. The money in the federal road fund would have then be redistributed among regions with rural settlements in the form of subsidies. Moscow and St. Petersburg, which would have been excluded from the list of the recipient regions, strenuously objected to the bill. Although Yeltsin sided with the big city leaders, he asked Moscow Mayor Luzhkov to assist other regions in road construction. Luzhkov said that Moscow's financial help will go primarily to the neighboring oblasts and regions in the Russian North-West, ITAR-TASS reported on 4 March. -- Natalia Gurushina

LOCAL AUTHORITIES RESORT TO UNLAWFUL MEANS TO RAISE MONEY. Local officials have begun to look for new ways to close their budget gaps and address the severe social problems of their constituents. However, the methods they employ often get them into trouble with the federal and regional law enforcement authorities.

The Omsk Oblast Legislative Assembly has adopted a budget imposing duties on certain goods imported into the oblast to help finance a 1997 deficit amounting to 1.1 trillion rubles (\$193 million at the current exchange rate), Kommersant-Daily reported on 11 March. The duties include a 50% levy on imported alcoholic beverages and a 10% levy on sales of all imported food and non-food commodities, which combined are expected to bring additional budgetary revenue totaling 830 billion rubles. The regional law, however, contravenes federal legislation, which prohibits the imposition of taxes and duties impeding the free flow of goods on Russian territory. The local procurator's office intends to file a formal objection to the law in the near future.

The Yaroslavl Oblast Duma also violated federal legislation by introducing, as of 12 March, a 4% sales tax on goods and services bought by individuals and paid for in cash, Kommersant-Daily reported on 11 March. Revenues from the new tax are supposed to offset costs for health care, education, and children's benefits. Governor Anatolii Lisitsyn said the oblast had to introduce the new tax because of the federal government's inability to solve the financial problems of the regions. The move, however, contravenes the federal tax code, which does not allow republics and oblasts to introduce their own sales taxes. The local procurator's office and the local consumer rights society strongly

objected to the Duma's decision. The latter argued that it will have a negative effect on the population's purchasing power, depressing consumer demand and therefore worsening business conditions in the oblast.

The initiatives in Omsk and Yaroslavl, which reflect the increasing power struggle in the financial sector between the regions and the center as well as within the regions, are not the only such incidents. According to Deputy General Procurator Vladimir Davydov, there have been attempts to impose a tax on exports of timber from Arkhangelsk Oblast and a turnover tax on trade companies in Belgorod Oblast. The regional authorities in Chuvashiya tried to levy additional taxes on alcoholic beverages, tobacco products, and jewelry, Rossiiskaya gazeta reported on 11 March. Those initiatives, however, were blocked by local procurators. -- Natalia Gurushina

DEBT-EQUITY SWAP IN ST. PETERSBURG. President Yeltsin has signed a decree stipulating that the federal government repay part of its debt to St. Petersburg by transferring its share of the St. Petersburg port, a 29% stake worth 30-40 billion rubles (\$5.3-7 million), to the local authorities, Kommersant-Daily and ITAR-TASS reported on 7 and 11 March. Some port officials complained that the transfer should have taken place a long time ago. A presidential decree issued in February 1996 made possible the transfer of federal stakes in privatized local industrial companies to the regional authorities if those stakes were about to be sold anyway. Local authorities, however, objected to many of the decree's clauses. They argued, in particular, that the federal debt to some regions far exceeds the value of the transferred stakes. They also rejected a demand to surrender to the federal budget 70% of the proceeds from the sale of such stakes to other parties (the February decree was aimed at increasing the participation of individuals in privatization and allowed the regional governments to sell off the transferred shares at auction). As a result of their protests, in September 1996, the president allowed local governments to keep up to 90% of revenues from the sale of those shares. This means that the St. Petersburg authorities may now raise substantial revenue for the local budget by selling the stake in the sea port to outside investors. -- Natalia Gurushina

GOVERNOR WANTS TO SELL SUBS TO COVER FEDERAL DEBT. Arkhangelsk Governor Anatolii Efremov wants to sell two submarines to "friendly countries" to cover the federal government's 1.1 trillion ruble debt to the Severodvinsk defense plant that produced them, ITAR-TASS reported 11 March. Efremov believes that the debt will never be repaid unless such extraordinary measures are taken. The plant has been unable to find non-defense related work that would make use of its full capacity. -- Robert Orttung

NAKHODKA SAILORS DROP LAWSUITS AGAINST SHIP OWNERS. All crew members of the Nakhodka tanker, which sank en route from China to Kamchakta on 2 January, have dropped their lawsuits against the tank's owner, the Prisco Traffic company, ITAR-TASS reported on 11 March. The sailors filed suit in early February, seeking compensation for material and moral damages. They claimed that the Nakhodka crewmen were dismissed on 2 January and paid between \$500 and \$1,500 each, rather than \$3,000, as management had promised. Prisco Traffic claimed that the sailors received all benefits to which they were entitled. The presiding judge, Svetlana Usova, told ITAR-TASS that the company had pressured the plaintiffs into dropping what would have been a strong case. In January,

crewmen refused to talk to the press about the shipwreck, allegedly because of pressure exerted by the ship's owners. An unconfirmed report in Nezavisimaya gazeta on 11 January suggested that the wreck, which caused an oil spill of about 4,000 metric tons in the Sea of Japan, might be part of an insurance scam. The Nakhodka was reportedly insured for \$500 million with a London-based group. -- Laura Belin

FOREIGN ECONOMIC TIES

U.S. INTEREST IN RUSSIAN REGIONS. The US Department of Commerce held a seminar in Washington on 10 March attended by more than 200 representatives of U.S. firms interested in doing business in Russia, ITAR-TASS reported. Olga Ananina, a representative of the department in Moscow, praised Tatarstan and St. Petersburg for their efforts to attract U.S. investment. She noted that in some regions, such as Lipetsk, local authorities offer special privileges to investors bringing new technology. On the other hand, many regions, such as Saratov, lack a consistent and transparent policy and decide such matters on a case-by-case basis. In his testimony to Congress on the draft aid program for the Newly Independent States in 1998, Ambassador Richard Morningstar called for "a greater emphasis on Russia's regions, "be it in community development or stimulating private investment." He said "smaller, regionally based programs that are encouraged to be flexible and adapt to local needs work best." -- Peter Rutland

ESTONIA REDUCES WATER SUPPLIES TO RUSSIAN BORDER TOWN. Authorities in the Estonian city of Narva have cut water deliveries to the Russian city of Ivangorod, citing overdue bills, ITAR-TASS reported on 12 March. The cities, located on the opposite banks of the Narva River, share water facilities in Narva constructed during the Soviet era. Since Estonia regained its independence in 1991, the Narva authorities have on several occasions shut off the water to force Ivangorod to pay its debts (see OMRI Daily Digest, 16 April 1996). Narva authorities say that Ivangorod now owes them 12 million Estonian krooni (\$882,000) and that it failed to pay its last scheduled installment of 700,000 krooni this week, prompting the reduction in water supplies. Pressure in the water main to Ivangorod has been reduced by 50%, meaning water will not rise above the third story in buildings there. -- Scott Parrish

Compiled by Robert Orttung

REGIONAL PROFILE: TULA OBLAST

Candidates for 23 March Gubernatorial Election

Incumbent Governor Nikolai Sevryugin, a member of Our Home Is Russia, was appointed by President Yeltsin in November 1991. According to experts, he has virtually no chance of winning in the economically depressed region.

The leading contender is considered to be 65-year-old Vasilii Starodubtsev, who is backed by the Communist Party of the Russian Federation. In August 1991, Starodubtsev, at that time a USSR people's deputy, joined the State Committee for the State of Emergency. He was arrested after the coup had failed and was expelled from the Party "for organizing a coup d'etat" by the Presidium of the CPSU Central Control Commission. In June 1992, he was released from prison and took office as the chairman of the agroindustrial complex "Novomoskovskoe" and the

Lenin collective farm in Tula. In 1993, he was elected to the Federation Council gaining 43.19% of the vote. Starodubtsev is a strong opponent of private land ownership. He is the chairman of the Agrarian Union of Russia, which formed part of the Agrarian Party electoral bloc in the December 1995 parliamentary elections. Starodubtsev was third on the federal list, but because the bloc failed to clear the 5% barrier, he did not win a seat in the Duma. Former Security Council Secretary Aleksandr Lebed, who is an honorary citizen of Tula and was elected to the State Duma from a Tula single-member constituency, decided not to join the race, even though he was likely to win.

Other Local Leaders

Duma Chairman Viktor Derevyanko (elected in December 1993)

Brief Overview

Tula Oblast covers 25,700 sq km and lies to the south of Moscow in the Central Russian highland. Most of the area is under cultivation, with potatoes and sugar beets being the main crops. Also important are dairy and livestock breeding as well as brown coal deposits. The metallurgy industry has been prominent in the region since the 17th century; chemicals and engineering started up in the 20th century. The defense industry makes up a large part of the economy. The oblast's capital, Tula city, first mentioned in 1146, resisted the Tatar siege in 1552. Tula has been a center of armament production since the times of Peter the Great, who made it the site of the first armament factory in 1712.

Basic Facts

1995 Population (est.): 1,825,700 (1.23% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 1.28%

Agricultural production as percentage of all Russian production (1994): 1.68%

Average personal income index in July 1995: 81 (Russia as a whole = 100)

Price basket index in July 1995: 83 (Russia = 100)

Average back wages owed per person (September 1995): 50,400 rubles (Russian average = 37,100)

Urban population: 81.3% (Russia overall: 73.0%)

Student population (1993): 106 per 10,000 (Russia overall: 171/10,000);

Pensioner population (1994): 33.2%

Percent of population with higher education (1989 census): 9.3% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 38.9% (Russian average: 29.9%); Agriculture: 11.0% (12.8%); Trade: 8.0% (9.1%);

Culture: 11.0% (13.6%); Management: 17.2% (2.3%)

Number of telephones per 100 families (1993): in cities: 41.8 (Russian average: 41.5); in villages: 19.8 (17.2)

According to a 1995 survey by Bank of Austria, the oblast is 11th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 29.96%/52.42% (first round/second round)

Zyuganov: 30.23%/41.13%

Lebed: 24.03%

Zhirinovskiy: 4.58%

Yavlinskii: 6.59%

Turnout: 72.14%/71.08% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 22.07%

Liberal Democratic Party of Russia: 13.19%

Our Home Is Russia: 10.33%

Congress of Russian Communities: 9.92%

Yabloko: 5.22%

Communists-Workers' Russia: 4.59%

Women of Russia: 4.23%

Agrarian Party of Russia: 3.74%

Party of Workers' Self-Government: 2.57%

In single-member districts: 1 Women of Russia,
1 Congress of Russian Communities, 1 independent

Turnout: 67.96% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" - 56.37% "No" - 40.44%

1993 Parliamentary Election

Liberal Democratic Party of Russia: 30.35%

Russia's Choice: 14.69%

Communist Party of the Russian Federation: 12.00%

Yabloko: 8.66%

Women of Russia: 8.24%

Agrarian Party of Russia: 6.56%

Party of Russian Unity and Concord: 6.32%

Democratic Party of Russia: 5.56%

From electoral associations: 1 Women of Russia

In single-member districts: 1 New Regional Policy, 1 Russia's Choice, 1

Agrarian Party of Russia

Turnout: 60.85% (Russia overall: 54.34%)

1991 Presidential Election

Yeltsin: 63.98%

Ryzhkov: 14.74%

Zhirinovskiy: 6.19%

Tuleev: 5.89%

Makashov: 3.21%

Bakatin: 2.25%

Turnout: 78.22% (Russia overall: 76.66%)

Sources: Goroda Rossii [Cities of Russia], Moscow: Bolshaya Rossiiskaya
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and A. Woergoetter: Regional Risk Rating in Russia, Vienna: Bank Austria,
1995.

Compiled by Silja Haas and Anna Paretskaya

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CENTER-PERIPHERY RELATIONS

PROFILE OF BORIS NEMTSOV

On 17 March President Boris Yeltsin surprised observers by reaching beyond what he referred to as "the worn out deck of cards" in Moscow to appoint provincial governor Boris Nemtsov as first deputy prime minister. As a condition of his appointment Nemtsov insisted that he be given a status equal to that of Anatolii Chubais -- even though only three days earlier Yeltsin had been insisting that Chubais would be the sole first deputy. Nemtsov also asked to be allowed to continue serving as governor of Nizhnii Novgorod, a post he has held for the past six years.

Nemtsov is being hailed as just the sort of fresh, dynamic political leader that Russia needs. He is widely tipped as a possible successor to Yeltsin -- a point the president himself made back in 1994. There is no doubt that Nemtsov is intelligent, honest, and strong-willed, and has demonstrated that he can be an effective regional leader. However, what worked in Nizhnii Novgorod may not be suitable for dealing with Russia's profound national malaise. Nemtsov has no experience in the national administration, and no natural set of allies in Moscow. His closest political partner, the economist Grigorii Yavlinskii, has demonstrably and loudly refused to join the current Chernomyrdin government.

The 37-year-old Nemtsov is charismatic and physically strong. A fanatical tennis player and wind surfer, he is a man very much after Yeltsin's own heart. In conversation Nemtsov invariably refers to Yeltsin as "the Tsar," and says he regards him as a "grandfather." Unlike the teetotaler Aleksandr Lebed, Nemtsov enjoys his vodka, and proudly promotes a local champagne called "Governor."

Nemtsov was a brilliant physicist who as a college junior devised an antenna for communicating with spacecraft as they re-enter the atmosphere. Nemtsov switched from physics to politics in the wake of the Chernobyl disaster, emerging as one of the leaders of a movement to stop the construction of a nuclear reactor close to his home town of Gorkii (now renamed Nizhnii Novgorod). Nemtsov won election to the Russian parliament in 1990 as a member of the Democratic Russia bloc. He happened to be in Moscow during the August 1991 coup, and toured military bases trying to persuade soldiers to oppose the coup.

Nizhnii Novgorod, 400 km east of Moscow, was known as a conservative city, with numerous military research labs and manufacturing plants, producing everything from submarines to MiG fighters. In September 1991 Yeltsin appointed Nemtsov as his presidential representative to the province, and after tough political maneuvering Nemtsov won election as governor by the regional council. Yeltsin confirmed Nemtsov in the post in November 1991.

Nemtsov moved quickly to embark on a set of radical reform measures. In April 1992 he put 22 retail stores up for sale by auction: one of the first such privatizations in Russia. He invited reform economist Grigorii Yavlinskii from Moscow to join the region's executive committee and oversee the reform efforts. However, Nemtsov soon fell out with acting Prime Minister Yegor Gaidar, accusing him of liberalizing prices too fast. Nemtsov even took Gaidar to court to try to force him to release more cash to the region. When that failed, Nemtsov became the first governor in Russia to start issuing locally printed surrogate

money.

Nemtsov knew that he was trying to launch reform in a city which was heavily dependent on defense plants whose state orders were being slashed to the vanishing point. He lobbied actively for the region in Moscow, and set out on a deliberate policy of turning the city into a model "laboratory of reform." The strategy worked. Nemtsov persuaded McDonald's and Lancome to open outlets in the city, and "Nizhnii" became a favorite stopping place for Western experts who wanted to show that they were not trapped inside the Moscow beltway. The World Bank's International Finance Corporation set up a model farm privatization project there. The European Bank for Reconstruction and Development came through with \$85 million in loans for the Gorkii Auto Plant, which is launching a new light truck, the Gazelle. Nemtsov himself became internationally known: the 1993 World Economic Forum at Davos listed him as one of 200 "world leaders of tomorrow."

Nemtsov shot to national prominence in Russia in June 1995, when he took on Vladimir Zhirinovskiy in a television debate. Zhirinovskiy, bested in argument, chose to douse Nemtsov with a glass of orange juice. Showing tennis-player reflexes, the governor flung back his own glass before Zhirinovskiy had a chance to sit down. That year Nemtsov also emerged as a resolute opponent of the Chechen war. In January 1996 he presented Yeltsin with an anti-war petition containing one million signatures. Despite opposing the war, Nemtsov remained personally loyal to Yeltsin, at which point he parted company with his reformist ally Yavlinskii.

Nemtsov is still highly popular in his home province. He won popular election as governor in December 1995 with a comfortable 60% of the vote -- although the majority of Nizhnii Novgorod electors backed the Communists and nationalists in the State Duma elections that took place the same day. Nemtsov seems to be that rarity among Russian politicians: an honest man. He has not been the target of any corruption allegations, and on occasion has had to borrow a few hundred dollars from friends. In Nizhnii Novgorod he rides around in a locally-made Volga -- although in Moscow he drives a Volvo.

It is hard to judge his standing as a national figure. A December poll showed that 35% of a nationwide sample trusted Nemtsov. He lagged behind Lebed, who scored 59%, but was ahead of Yeltsin and Chernomyrdin, who won the trust of only 23% and 24% respectively. Last November, an interviewer for the Domovoi magazine asked Nemtsov whether the fact that his mother was Jewish would prevent him from becoming Russia's president. He replied with the words of Vladimir Zhirinovskiy: "I love my mother, and I have never disguised what she is." Nemtsov himself was baptized as a child. In 1996 Patriarch Aleksii awarded him the Order of St. Daniel for his support in the restoration of 120 local churches.

What does Nemtsov stand for? He seems committed to market reform, and to the decentralization of economic and political power to the provinces. His hero is Peter the Great. He told Kommersant Daily in February that "I'm a liberal economist and support the idea of a strong state in politics. Yegor Gaidar, for instance, is a liberal in economics and a liberal in politics, in the bad sense of this word. In Russia, such liberalism is ruinous." Although he took a liberal, anti-war position on Chechnya his attitude towards the broader questions of Russia's role in the world are as yet unknown. In the same interview, Nemtsov suggested using Russia's financial resources to buy up the city and naval base of Sevastopol, a bone of contention with Ukraine and something of a litmus test of Russian national interests. "Historical justice should be restored by capitalist methods," he suggested. Nemtsov

may be liberal, but he is liberal with a Russian face. -- Peter Rutland

NEMTSOV'S ACHIEVEMENTS IN NIZHNII NOVGOROD. On 30 November 1996, Nemtsov marked his fifth anniversary as Nizhnii Novgorod governor. A few days later, he delivered an address listing his accomplishments. (These documents are available at <http://www.inforis.ru/n-nov/admin/doklad/.index.shtml.k>).

According to Nemtsov's account, Nizhnii Novgorod boasts 55,000 registered private enterprises, employing about 200,000 individuals. Private companies' fixed capital accounts for nearly 60% of the total value of fixed capital in the region and these firms generate about 94% of the oblast's output. The Legislative Assembly is working on a law guaranteeing private investment. The main exports were oil products, machinery and equipment, and cars and trucks. In 1995, the oblast attracted \$65 million in foreign investment. Nizhnii Novgorod's overall industrial output fell by 50% between 1990 and January 1996, but the reports claims that this was slightly better than the national average. In the field of agriculture, Nemtsov claimed to have privatized 131 state farms, which allowed for substantial increases in the productivity of the oblast's land and, in 1996, the oblast met all of its grain requirements for the first time. Between 1992 and 1996, Nemtsov's administration oversaw the extension of gas supply to about 100,000 apartments. The number of oblast newspapers more than doubled between 1991 and 1996 from 21 to 47. The oblast also has five local TV stations generating 55-60 hours of programming a day, up from one station that broadcast only 90 minutes a day in 1988.

In terms of social indicators, unemployment in the oblast is 8.7%, with the Russian average being 8.9%. The oblast claims to do slightly better than the Russian average in terms of living standard (measured by the relationship between the average monthly salary and social subsidies, and the subsistence minimum of the area). The crime rate has been dropping since 1992, when it reached a peak, but it is still higher than it was in 1990. -- Robert Orttung

PRESIDENCY WANTS TIGHTER GRIP ON REGIONS. Aleksei Kudrin, the head of the Presidential Main Control Department and also deputy head of the Presidential administration, detailed the steps the administration is taking to tighten control over regional administrations in an interview with Kommersant no. 9 on 11 March. Anti-corruption investigations by Kudrin's agency have led to the dismissal of governors in Amur, Bryansk, and Vologda oblasts. Kudrin conceded that such monitoring will be more difficult when dealing with elected governors, but he argued that the law on district and regional power structures gives the president the right to dismiss anyone, even an elected official. He added "We are currently developing a mechanism for monitoring the situation in the regions so that we know about all their financial activities, all of a region's sore spots, all of a governor's sensitive points, in general, everything he has done. And then it will be possible to take economic action. After all, every region is very dependent." Kudrin said his department has 16 people monitoring the regions. He noted that assigned budget spending constantly exceeds budget revenue, creating a shortage economy in which bureaucrats take bribes to move agencies to the top of the waiting list for budget funds. In the Soviet era there were multiple bureaucratic agencies tasked with combating maladministration, including the Communist Party, the People's Control Committee, and the Procuracy. Of these three, only the latter survives, and is grossly over-worked. -- Peter Rutland

UDMURT CONFLICT HAD ECONOMIC BASIS. Economic concerns were largely responsible for the conflict between Udmurt republican authorities and local government leaders and only when the federal authorities stepped in did it take on political or separatist overtones, Segodnya correspondent Irina Nagornykh argued in the newspaper's 15 March issue. The confrontation between the republican and local authorities resulted from friction between the republic's two economic elites: the old "red directors" and the new entrepreneurs.

Udmurtiya has about 200 industrial enterprises, the majority of which are located in the republican capital Izhevsk and a few other large cities. Defense enterprises produce about 80% of the republic's output, and depend heavily on budgetary subsidies, though in reality they receive only about 15% of the funds allocated to them. The directors of these enterprises need a strong lobbyist to promote their interests in the republican leadership as well as in Moscow, Nagornykh claimed. At the same time, the new economic conditions have created a new group of businessmen which is also seeking to influence the government.

The current chairman of the republican parliament, Aleksandr Volkov, initially had not been close to the military enterprises, though before the republican parliamentary elections in 1995, he obtained the support of one military association, Ural Works, which comprises about 20 enterprises and banks. However, the military industrialists did not rely only on Volkov. They simultaneously backed the republican Center for the Support of Self-government, with the goal of using local institutions to lobby their interests and pressure the republican government, rather than supporting local government, per se. Izhevsk mayor Anatolii Saltykov, who also had military-industrial support, turned out to a better advocate for their interests, Segodnya asserted. In the meantime, Volkov, feeling that he was losing the support of the military enterprises, turned to the new generation of entrepreneurs who were also seeking a spokesman for their interests. They had backed their own candidate in the Izhevsk mayoral election who lost to Saltykov by a small margin.

One of the main goals of the April 1996 law abolishing local self-government and dismissing local executives was to deprive local institutions of municipal property and independent budgets and to make them subject to republican control. Dismantling the independent local governments would have given republican authorities exclusive control over Udmurtiya's assets and the right to distribute budgetary funds in ways favorable to their political supporters. The leaders of the military industrial enterprises were responsible for focusing the federal authorities' attention on the problem. Moscow regarded the republican law as unconstitutional, and after a ruling by the Constitutional Court and a presidential decree, the Udmurt parliament had to annul its April 1996 law and restore self-government institutions. The confrontation between the republican and local institutions is over, but the conflict between Udmurtiya's old and new economic elites may reemerge any time. -- Anna Paretskaya in Moscow

NEW CALLS FOR ECONOMIC SEPARATISM. St. Petersburg Legislative Assembly deputies have decided to submit to the federal parliament a draft bill under which Russia's 89 republics and regions will receive the right to manage taxes collected in the regions by themselves, Segodnya reported on 18 March. The bill is also supposed to determine the proportion of taxes which each region will transfer to the federal budget, according

to Assembly Spokesman German Shalyapin. However, under the draft bill, each region's payment must equal or exceed the sum sent to the federal budget the previous year. Shalyapin said that the bill was supported by governors and legislatures of the North-West regional association which includes 12 federation subjects.

Now, each region sends most of the taxes it collects to the federal budget and the center redistributes these funds among the federation subjects on the basis of policies developed in Moscow. The regions' contributions to the federal budget vary: for instance, the national republics are allowed to keep a larger proportion of the taxes they collect than krajs or oblasts. Moreover, those federation subjects which have signed power-sharing treaties with the central government usually also have the privilege of contributing less money to the federal budget. Recently, calls by regional leaders for cuts and even a discontinuation of tax payments to the federal budget have intensified (see Russian Regional Report, 13 March 1997). -- Anna Paretskaya in Moscow

PATTERNS OF REGIONAL DEVELOPMENT

TYVA ELECTS NEW PRESIDENT. The Republic of Tyva reelected President Shrig-ool Oorzhak on 15 March with a vote of more than 70%, ITAR-TASS reported. Oorzhak represented the local branch of Our Home is Russia in the seven candidate race. The election law stipulated that candidates for the presidency must be between the ages of 35 and 60 and have lived in the republic for no less than 15 years: such restrictions are a violation of Russian law. Oorzhak's main opponent was the chairman of the republican parliament Kaadyr-ool Bicheldei. Female former State Duma member Kara-Kys Arakchaa was another notable contender. All of the candidates supported Tyva's continued position within the Russian Federation

In contrast to national republics like Udmurtiya, all the candidates in the race also favored correcting its 21 October 1993 constitution to comply with Russia's, Radio Rossii reported. The main differences between Tyvan and Russian law concern Tyva's self-declared right to decide issues of war and peace, provisions for local government, and the independence of the judiciary. A 25-26 September 1996 Congress of the People of Tyva took the first step in resolving many of these issues.

Oorzhak's background is in agriculture and party work. He was elected to his first term as president in 1992. He won the support of the rural regions and the ethnic Russian population. During his first term, he carried out the privatization of small companies and backed the transformation of state collective farms into small, private farms. However, he has been described as "leftist" since 75% of the republican budget (the vast majority of which comes from state subsidies) goes for social programs. In preserving the integrity of the Russian Federation, he backs the formula "strong regions, strong center." Competitor Kara-Kys Arakchaa, a former member of the New Regional Policy Duma faction, complained that the republic was not using its resources to their potential and thus had to rely on handouts from the federal budget, making its president a pawn of the Kremlin (Obshchaya gazeta , 6-12 March). -- Robert Orttung

CHALLENGER DEFEATS EVENK INCUMBENT. The former Chairman of the Evenk Legislative Assembly Aleksandr Bokovikov, backed by the Communist Party, defeated incumbent Governor Anatolii Yakimov in the Evenk Autonomous

Okrug's three candidate gubernatorial elections on 16 March, winning 51% of the vote and 650 more votes than the incumbent, with more than 60% turnout, ITAR-TASS reported. The results of the 22 December Evenk elections were canceled after the local electoral commission and a court found numerous irregularities, including vote-buying and campaigning on election day. Then, preliminary results showed challenger Bokovikov in the lead, but the final tally gave the race to incumbent Yakimov.

Yakimov had the support of Sergei Filatov's All-Russia Coordinating Council and Prime Minister Viktor Chernomyrdin had given him federal money before the first elections (Izvestiya, 15 December 1996). He claimed that his opponents were supported by the traditional reindeer lobby which wanted to block the industrial development of the region. Yakimov, however, set the American state of Alaska as his model, where the exploitation of gas and oil reserves led to the blossoming of the local economy (See Nezavisimaya gazeta 27 November 1996). Newly elected Governor Bokovikov worked in the fur industry before being elected as the chairman of the Legislative Assembly on 18 June 1994. -- Robert Orttung

GAZPROM LOBBIES IN TULA. Gazprom President Rem Vyakhirev visited Tula on 17 March to rally support for one of the candidates in the Tula oblast governor's race, Rabochaya tribuna reported. Candidate Viktor Sokolovskii is the director of the local Gazprom subsidiary "Central Gas." Vyakhirev said Gazprom will spend 514 billion rubles in 1997 connecting outlying settlements in Tula to the gas network. Tula enterprises have 1 trillion rubles in unpaid gas bills: Vyakhirev offered them a 15% price discount and promised flexibility in taking barter goods in exchange for the debts. The veteran opposition leader Vasilii Starodubtsev is considered the leading candidate in the race. -- Peter Rutland

SOCIAL ISSUES

DRUG BOOM IN PRIMORE. The Primorskii Krai administration and various local public and political organizations have called on the krai Duma to pass a law making the use of narcotic and psycho tropic substances without a doctor's prescription an administrative offense, Kommersant-Daily reported on 18 March. (The new Russian Criminal Code, which went into effect on 1 January 1997, does not cover drug use or possession of small quantities of drugs.) According to local government statistics, the number of registered drug users in the krai (1,334 per 100,000 population) is four times as high as the Russian average. Considerable amounts of hemp are grown in the region, and police operations to destroy the crop have had little impact. About 450 hectares of arable land are currently thought to be devoted to hemp cultivation. The deputy head of the Far Eastern Customs Administration says that there has been a marked growth in drug trafficking through the region and in the local drugs market. More than three-quarters of the drugs seized by customs officers in 1996 were confiscated in the krai, including medicines containing ephedrine from China and opium from Korea. -- Penny Morvant

NEW HUNGER STRIKE IN TULA. More than 30 Chernobyl clean-up workers from Kireevsk in Tula Oblast have begun a new hunger strike to protest continuing delays in the payment of compensation for damage to their health, ITAR-TASS reported on 17 March. A hunger strike by Tula "liquidators" in January-February, including a "dry" protest in which strikers refused to accept liquids or medication, prompted the federal

government to transfer funds to the oblast to enable overdue benefits to be paid. The hunger strike also triggered a series of similar protests by participants in the Chernobyl clean-up operation in other parts of the country. Now, however, in an all too familiar pattern, arrears are building up again. According to Sergei Vorobev, chairman of the district branch of the Chernobyl Union, the liquidators are still waiting for their February and March pensions. -- Penny Morvant

ECONOMIC DEVELOPMENTS

MORTGAGE LENDING SCHEME IN BASHKORTOSTAN. The government of Bashkortostan has decided to allocate 20 billion rubles (\$3.5 million) from the local budget for the development of mortgage lending in the region, Kommersant-Daily reported on 19 March. The scheme will first be tried in Bashkortostan's capital Ufa.

Mortgage loans will bear a relatively low 7% annual interest rate. (The Central Bank's refinancing rate and interest on credits from commercial banks are much higher). Mortgages will be given for a period from 10 to 20 years. Under the scheme, the budgetary funds will first be transferred to the Ufa Mayor's office and then to Bashekonombank, which is authorized to work with the local government's money. The bank will sign mortgage contracts with individual borrowers and will guarantee the repayment of the loans.

The development of mortgage lending in Russian regions is hindered by a very high risk that loans will not be paid off. A contributing factor is that Russian society, by and large, is not yet ready to accept the fact that houses can be repossessed if borrowers are unable to keep up with the repayment of the credit. Finally, there is still no legislative foundation for mortgage lending in Russia. Some regions, such as Bashkortostan, are trying to compensate for the absence of federal legislation by passing decrees on the local level. The mortgage lending scheme to be tried in Bashkortostan (where one square meter of housing costs on average 3.4 million rubles) is one of the first in Russia. -- Natalia Gurushina

REGIONS SEEKING NEW WAYS OF COPING WITH NON-PAYMENTS. The Samara Oblast government intends to resolve the problem of companies' indebtedness to the regional budget by forcing companies to issue securities covering the debts owed to them by their customers, Kommersant-Daily reported on 14 and 15 March. As of 1 February, local firms owed 2.5 trillion rubles (\$440 million at the current exchange rate) to the oblast's consolidated budget. In turn, the local companies' customers in industry, construction, transport, and agriculture owed them 27.5 trillion rubles. Of course, there remains a question of who will be willing and able to buy this debt. Part of the debt can be sold to local financial organizations. Debt can also be bought by third parties from other regions. Provided local authorities sanction it, Moscow banks or large national industrial enterprises may want to take advantage of buying the debt at relatively low prices with the hope of turning the debt into equities, thereby expanding their holdings of regional industries. However, there still remains the question as to how this scheme will affect the financial situation of companies who have large customer debts, as they may not receive any real money as a result of these transactions.

Another scheme to clear debts among large petrochemical enterprises and producers of gas and electrical energy in the region was based on the issuance of bills of exchange (vekselya). Under the scheme,

the local electrical energy supplier Samarenergo and gas supplier Samaratransgaz agreed to accept 2.025 trillion rubles worth of two-year vekselya issued by the Togliatti-based Sintezkauchuk, the Novokuibyshevskii petrochemical plant, and the Samara-based Sintezspirt. Although the scheme allowed the clearance of the industrial giants' debts, its obvious disadvantage is that it contributes to further increasing the volume of vekselya in the country. Vekselya are a form of surrogate money and a major de stabilizing factor in Russia's financial system.

The existence of a large number of factory-towns in the oblast suggests a possible explanation for the Samara Oblast authorities' active policy to deal with the non-payments crisis. The local authorities fear that the social cost of bankrupting these companies would be too high and is therefore seeking any possible alternatives. -- Natalia Gurushina

FOREIGN POLITICAL TIES

RUSSIAN OBSERVER: NATO'S ATTENTION TO KALININGRAD INCREASES. Colonel Yevgenii Sorokin, an expert at the Center for Military and Political Studies, charged that NATO's policy towards Kaliningrad Oblast is ambiguous, in an analysis published 14 March in Nezavisimaya gazeta. While officially it recognizes the oblast to be part of Russia, NATO's military and political leadership encourages activities by the Baltic states and certain international non-governmental organizations aimed at revising the oblast's current status, he argued.

Due to Kaliningrad's separation from the rest of the country, it has great importance for Russia's political, economic, and military position in general and its standing in the region. First, the oblast has a port on the Baltic Sea, the only one in Russia except St. Petersburg, which allows the country to have both a merchant fleet and a navy in those waters. Obviously, the NATO leadership is eager to diminish Russia's dominion in the region, Sorokin claimed. Such a task is not very difficult for two reasons: first, the oblast is remote from the Russian mainland and, second, it is not indigenously Russian land. Germany, Lithuania, and Poland may potentially claim it back.

Lithuania and Germany are the most active in Kaliningrad Oblast, according to Sorokin. Lithuanian nationalists consider the oblast Lithuanian territory, even though the majority of it never belonged to the country, Sorokin believes. In 1994, the nationalists submitted to the Lithuanian government a memorandum on Kaliningrad Oblast, or as they call it Karalyauchusskii Krai. The memorandum stipulated that Lithuania should demand the withdrawal of Russian troops from the oblast and initiate preparations to integrate the region into Lithuania while supporting ethnic Lithuanians and granting them Lithuanian citizenship. However, more recently, Lithuanian nationalists have started promoting a concept of turning the oblast into an independent state, Borussia, Sorokin charges.

Germany is encouraging the increase of ethnic Germans in the region, Sorokin claimed. Much of the oblast territory had belonged to Eastern Prussia and was annexed after World War Two. After Poland, Germany has the second largest number of enterprises in the region, but it has the greatest volume of investment and trade. There are 17 German public organizations in the oblast which have close ties with Germany. German citizens actively purchase real estate in Kaliningrad Oblast, often illegally, Sorokin asserted. While Germany officially has a balanced position, individual parliamentary deputies, businessmen, and

intellectuals have their own projects for the oblast's development, many of which reduce Russian influence in the area, Sorokin believes. -- Anna Paretskaya in Moscow

Compiled by Robert Orttung

REGIONAL PROFILE: NIZHNII NOVGOROD OBLAST

Governor: Boris Nemtsov

(For a detailed profile, see the first article in this issue.)

Other Local Leaders

Chairman of the Legislative Assembly - Anatolii Kozeradskii (elected in April 1994)

Brief Overview

Nizhnii Novgorod Oblast lies in European Russia occupying a territory of 74,800 sq km on both banks of the Middle Volga River. The northern half contains a low plain, mostly covered by coniferous forest, while the southern half includes hills with deciduous trees and areas of forest steppe. The region is highly industrialized, including machine-building, ferrous metallurgy, chemicals, processing of agricultural and forestry products, and light manufacturing. In Soviet times, the oblast was one of the main centers of the defense industry. The Volga and its navigable tributaries, Oka and Sura, and a well-developed railroad and highway network provide excellent communications.

From 1932 until 1990, the city and oblast were named Gorkii in honor of the writer Maksim Gorkii who was born there in 1868. During this period, the city was closed to foreign visitors because of its importance for the military-industrial complex.

The capital city, Nizhnii Novgorod, located at the confluence of the Volga and Oka rivers, is the third largest city of the Russian Federation. It was established as a fort by Yurii Vsevolodovich, prince of Vladimir, in 1221. Due to its favorable geographical location, the city became a major trading center, which was famous for its annual fairs, held from 1817 until 1917, and renewed in 1991.

Basic Facts

1995 Population (est.): 3,741,000 (2.52% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 3.33%

Agricultural production as percentage of all Russian production (1994): 1.89%

Average personal income index in July 1995: 75 (Russia as a whole = 100)

Price basket index in July 1995: 94 (Russia = 100)

Average back wages owed per person (September 1995): 26,900 rubles (Russian average = 37,100)

Urban population: 77.8% (Russia overall: 73.0%)

Student population (1993): 155 per 10,000 (Russia overall: 171/10,000);

Pensioner population (1994): 28.6%

Percent of population with higher education (1989 census): 9.6% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 38.3% (Russian average: 29.9%); Agriculture: 10.6% (12.8%); Trade: 7.5% (9.1%);

Culture: 14.4% (13.6%); Management: 2.1% (2.3%)

Number of telephones per 100 families (1993): in cities: 35.9 (Russian

average: 41.5); in villages: 11.5 (17.2)
According to a 1995 survey by Bank Austria, the oblast is 3rd among
Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 34.83%/51.74% (first round/second round)
Zyuganov: 32.53%/42.35%
Lebed: 14.77%
Zhirinovskiy: 5.43%
Yavlinskii: 7.14%
Turnout: 66.23%/65.35% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 18.71%
Liberal Democratic Party of Russia: 12.07%
Our Home Is Russia: 10.47%
Yabloko: 10.56%
Women of Russia: 5.14%
Communists-Workers' Russia: 4.45%
Congress of Russian Communities: 4.88%
Party of Workers' Self-Government: 2.47%
Agrarian Party of Russia: 3.12%
In a single-member district: 2 Our Home is Russia,
2 Communist Party of the Russian Federation,
1 Yabloko, 1 independent
Turnout: 62.43% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" - 55.38% "No" - 40.09%

1993 Parliamentary Election

Liberal Democratic Party of Russia: 19.91%
Russia's Choice: 13.96%
Yabloko: 12.23%
Communist Party of the Russian Federation: 11.58%
Women of Russia: 9.73%
Agrarian Party of Russia: 9.11%
Democratic Party of Russia: 7.08%
Party of Russian Unity and Concord: 5.65%
From electoral associations: 1 Women of Russia, 1 Russia's Choice, 1
Democratic Party of Russia
In single-member districts: 1 Yabloko, 4 12th December Union, 1
independent
Turnout: 52.88% (Russia overall: 54.34%)

1991 Presidential Election

Yeltsin: 69.93%
Ryzhkov: 12.25%
Zhirinovskiy: 4.18%
Tuleev: 4.33%
Makashov: 2.78%
Bakatin: 3.43%
Turnout: 75.76% (Russia overall: 76.66%)

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RUSSIAN REGIONAL REPORT
VOL. 2, NO. 12, 26 MARCH 1997

REGIONAL ELECTION UPDATE

TULA ELECTS ANOTHER KREMLIN FOE

On 23 March, Vasilii Starodubtsev, one of the 1991 coupmakers and now the director of a Tula Oblast kolkhoz and the leader of the Russian Agrarian Union, was elected governor of Tula Oblast. His victory was so decisive that a second round will not be necessary.

From the very beginning of the electoral campaign, Starodubtsev was the clear front-runner among the eleven registered candidates: 40-45% of voters consistently declared their support for him. However, experts believed that the other candidates -- incumbent governor Nikolai Sevryugin; Tula Mayor Nikolai Tyaglivyi, who was supported by local hero Aleksandr Lebed; former Deputy Governor Valentin Mitin; and Tsentrgaz Director Viktor Sokolovskii, running with the support of Gazprom, would make Starodubtsev's victory in the first round close to impossible. Nevertheless, he swept about 63% of the vote, while Sokolovskii, who finished second, received 15% and Sevryugin and Tyaglivyi, placed third and fourth, respectively, with less than 5% each.

The enormous support for Starodubtsev, who was a member of the August 1991 State Committee on the Emergency Situation (GKChP), grew out of a popular belief that he was a good manager. His kolkhoz, often dubbed an "Island of Socialism," is regarded by many as one of the best in the oblast. Its employees have retained all the social benefits of the Soviet era, including free housing and health care. However, some reports claim that the average salary in the kolkhoz is only half the regional average and workers often leave the farm. Additionally, critics accuse Starodubtsev of generating most of the kolkhoz's revenues from vodka deals rather than its ostensible task of breeding animals. Despite these allegations, the oblast's numerous rural workers found Starodubtsev's program attractive. His focus on protecting domestic agricultural producers from imported goods appealed to the rural laborers who are hard hit by the country's economic slump. Only if the other candidates had been able to consolidate their efforts behind a single opponent would they have had a chance of preventing Starodubtsev from winning the race.

In the beginning of the campaign, the incumbent Sevryugin had been regarded as Starodubtsev's main competitor. All opinion polls, however, showed that his approval rating was so low that he could not break through the 10% barrier. During five and a half years in charge of the oblast, he proved unable to manage the region effectively and improve the standard of living. During his incumbency, the volume of industrial output dropped more than in Russia as a whole and at least one third of agricultural enterprises continued to lose money. The oblast, where

almost half of the population is retired and half of the territory was contaminated by radiation from Chornobyl, is suffering more than other regions in the amount of overdue wages, pensions, and other social payments. Earlier this month, Sevryugin attempted to blame the federal government for the oblast's economic hardship. He threatened to stop transferring money to the federal budget if the oblast did not receive the over 1 trillion rubles (about \$175 million) owed to it. However, this gesture did not serve to increase his popularity among oblast voters. Among Sevryugin's other problems is a popular conception that he has frequently misused budgetary funds while in office (Izvestiya, 12 March).

The support for Gazprom candidate Sokolovskii grew to 15% during the last weeks of campaign, Rabochaya tribuna reported on 19 March. This jump may have been the result of an active media effort in his support: two weeks before election day, many Moscow newspapers, such as Trud, Rabochaya tribuna, and even the pro-government Rossiiskaya gazeta, started to run articles promoting Sokolovskii. He was portrayed as a successful businessman who was not making money for himself at the expense of others, but actually cared about the oblast's welfare. Among his accomplishments, he reportedly created new jobs in a variety of regional industries, provided his employees with attractive social benefits, and, using his connections with other businesses, arranged orders for regional industrial enterprises which now have difficulty selling their products. Additionally, Sokolovskii persuaded Gazprom, the country's gas industry monopolist, to reduce prices for gas supplied to the oblast by 15% and invest over 500 billion rubles in building pipelines and other facilities in the region. The Communists, however, conducted a successful anti-Sokolovskii campaign under the slogan "Tula is not for sale," which appealed to popular pride.

While the Communist opposition had a sole nominee for the race, the presidential administration had difficulty determining whom it would back. After giving up on Sevryugin as a lost cause, it was unable to make a clear choice and finally decided to endorse five candidates, Sokolovskii among them. Given Tula's love of the Kremlin's enemies, including Lebed and former Yeltsin body guard and close confidante Aleksandr Korzhakov, both of whom it elected to the State Duma, there was little the administration could do to elect a sympathetic candidate. -- Anna Paretskaya in Moscow

AMUR CHOOSES COMMUNIST GOVERNOR. The opposition also won the 23 March gubernatorial election in Amur Oblast. Anatolii Belonogov, chairman of the regional legislature, swept more than 60% of the vote in his race against incumbent Governor Yurii Lyashko, who placed second with 24% of the ballots cast.

The four other candidates included Vera Sebina, the leader of Vladimir Zhirinovskiy's Liberal Democratic Party of Russia's Amur branch, Deputy Governor Aleksandr Surat, who had been elected governor in April 1993 but was removed later that year by President Boris Yeltsin for supporting the October rebellion of the parliament, farmer Gennadii Simonov, and the unemployed Viktor Khakhin. Together they received about 15% of the vote.

Amur held its first gubernatorial election on 22 September 1996. In that race, Belonogov beat Lyashko by a tiny margin of 189 votes. However, dissatisfied with his loss, the incumbent Lyashko, with the strong support of the presidential administration, challenged the results in court. He alleged that several severe voting procedure violations marred the original election. For instance, he claimed that

ballot boxes were not delivered to the oblast's remote areas where voters were unable to participate. Given the tiny difference of votes separating the candidates, the court accepted this argument and ordered the elections repeated.

The opposition attributes Belonogov's convincing victory to an increasingly bad social and economic situation in the region. The federal government owes the oblast over 500 million rubles (about \$87 million). Opposition leaders also claim that a visit by the Communist Party leader Gennadii Zyuganov, who earlier in the month came to campaign for the opposition candidate, boosted Belonogov's popularity.

While the presidential administration endorsed Lyashko in his second bid, its support was weaker than in September. And though Sergei Filatov, leader of the All-Russian Coordinating Council (OKS) that had supported Yeltsin's reelection and later campaigned for many incumbent governors, also visited the oblast to support Lyashko, not all the OKS members agreed to endorse him. Moreover, the center's interest in regional elections, in general, seems to be decreasing. Even when members of the opposition are elected, they do not put up much resistance to the federal government's policies. -- Anna Paretskaya in Moscow

PATTERNS OF REGIONAL DEVELOPMENT

NIZHNII NOVGOROD PREPARES FOR GUBERNATORIAL ELECTIONS. The promotion of Nizhnii Novgorod Governor Boris Nemtsov to the post of first deputy prime minister means that the oblast now faces pre-term gubernatorial elections, most likely to be set for the autumn. The political instability created by the uncertainty before the poll has already created a lull in investment in the region, judging by the quiet telephones in the administration offices that seek outside funding, according to local accounts. (See the material by N. Astafevaya and Viktor Pershin and posted to <http://www.inforis.ru/n-nov/info/brief/index.shtml.k>) Nizhnii was third in attracting investment after Moscow and St. Petersburg in 1996. When Nemtsov left, he did not leave behind an obvious successor whom local voters and industrial and financial elites would accept as his logical heir.

Local journalists believe that the list of contenders for Nemtsov's office is rather long. The current acting governor, Yurii Lebedev, has the advantage of incumbency, but until now has not had an opportunity to define and implement an independent policy. Although he was elected to his current post, Nizhnii Novgorod Mayor Ivan Sklyarov has also not pursued a line independent of Nemtsov. Neither has announced his intentions yet. The business community may seek to have one of its own elected. The director of the GAZ automobile factory, Nikolai Pugin, has already refused to run, but other possibilities are the president of NORSI-oil, Sergei Kirienko, and the head of the Gorkii Railroad, Omari Sharadze. The communists and particularly Vladimir Zhirinovskii's Liberal Democratic Party of Russia are likely to run candidates as well. Zhirinovskii has had a long-running dispute with Nemtsov and there is speculation that he will enter race personally. Some in the local community are hoping to avoid a circus-style election so that the region can continue to move ahead with its reform policy and preserve its international reputation as a good place to invest. -- Robert Orttung

COMMUNISTS SEEK TO REMOVE ST. PETERSBURG GOVERNOR FOR RAISING RENTS. The St. Petersburg Electoral Commission on 21 March denied a communist-

backed application to begin collecting the 150,000 signatures necessary to hold a referendum on removing Governor Vladimir Yakovlev for issuing a decree that raised apartment rents and the cost of basic municipal services. The text of the question was rather convoluted, "Do you think that having raised rents and the cost of communal services, St. Petersburg Governor Vladimir Yakovlev has violated his campaign promise not to lower the standard of living for the city's residents and therefore should be removed from office?" The commission rejected the appeal on the grounds that the text really asked two questions rather than one, Ekho Moskvyy reported 21 March. It also noted that there is no legal provision for removing the governor by means of a referendum. The communists had hoped to use the upcoming 27 March demonstrations to collect signatures.

The local branch of Russia's Democratic Choice has also announced its opposition to the Governor's housing reform and demanded the removal of two of his deputies, Kommersant Daily reported 26 March. However, the party did not agree to support the Communists' referendum.

Yakovlev's 28 January decree was aimed at getting people to pay real prices for the housing and services they receive, a goal he has supported since serving as former Mayor Anatolii Sobchak's first deputy (Nezavisimaya gazeta, 20 March). The reform seeks to get well-to-do people to pay their full rents, while poorer people can apply for state subsidies, AFP reported. Under the Soviet system, rents were extremely cheap and local governments had to carry the costs not covered by the population. Yeltsin said in his annual address to the parliament that the entire country would adopt reforms along the lines of those underway in St. Petersburg. -- Robert Orttung

SVERDLOVSK GOVERNOR EXPLAINS ATTEMPTS TO CONTROL LOCAL LEADERS. The leadership of Udmurtiya recently lost a well-publicized case in which the federal government protested its efforts to impose republican control on local governments in the republic. Sverdlovsk Governor Eduard Rossel has found a way to keep the local governments in his oblast on a tight leash with the blessing of Moscow.

Sverdlovsk Oblast has 73 municipal jurisdictions, the vast majority of which have elected legislatures and executives. Just as the elected governors can now cause more problems for Moscow because they were not directly appointed by the president, so too can local leaders adopt policies independent of the governor. Rossel has sought to keep potentially rebellious local leaders in line by creating six administrative districts, ruled by gubernatorial appointees, which would stand above the 73 municipal districts. Yeltsin has given the move presidential approval. Critics, however, claimed that Rossel is trying to usurp power that rightly belongs to the local leaders. The popular Sverdlovsk leader published a defense against these charges in Uralskii rabochii on 28 February. He argued that the districts will preserve a unified national system of executive power that will give each citizen the services he deserves. Moreover, the creation of the new layer of bureaucracy will allow the oblast leaders to gain a better sense of what is happening in each part of their territory and bring government closer to the people.

Rossel does not explain, however, why he can preserve the unified chain of command as an elected leader, while the local leaders cannot. He essentially seeks to reduce democracy at the local level in the interest of greater coordination and efficiency. In the Russian case, however, it is not clear whether such a sacrifice would serve the public interest. More independent local leaders could counter authoritarian

tendencies among the oblast leadership. -- Robert Orttung

CHEREPKOV UNDER PRESSURE. The Primorskii Krai Court on 19 March upheld a Vladivostok district court ruling that outlawed a city referendum called by Vladivostok Mayor Viktor Cherepkov, Kommersant-Daily reported on 21 March. The referendum was intended to strengthen the hand of the mayor, whose position is under threat from the oblast Duma (see Russian Regional Report, 6 March 1997). In another blow to Cherepkov, the candidature of Artur Korolkov--a city official--for the post of head of administration of a key Vladivostok district was rejected after 400 of the signatures in his support were found to have been fabricated. The scandal not only removed Cherepkov's only supporter among the candidates for the post but also gave the mayor's enemies in the Primorskii Krai administration further ammunition against him.

Meanwhile, on 25 March, the Primorskii Krai Court began hearings in the case of a group of police officers accused of fabricating evidence against Cherepkov. Cherepkov was ousted from the post of Vladivostok mayor in 1994 after being accused of corruption but was reinstated by presidential decree in August 1996. The defendants include the head of the Primorskii Krai Tax Police and the former head of the krai police force. Russian Procurator-General Yurii Skuratov had called for the case to be heard in the Supreme Court, but the latter returned it to the krai. Cherepkov's supporters argue that the regional court is unlikely to be objective. -- Penny Morvant

NAZDRATENKO CREATES POLITICAL PARTY. The still-unregistered Party of Primore is starting to collect signatures to call a referendum to ask Primorskii Krai voters whether the Russian authorities should cede land to China as Russia and its southern neighbor continue negotiations to define their border. Like Governor Yevgenii Nazdratenko, the party argues that transferring a small amount of land in the border region would damage Russia's strategic position in "the Asian Pacific region." Most observers believe these claims are gross exaggerations. While the governor and the new party publicly distance themselves from each other, Kommersant-Daily on 21 March argues that they are working closely together since the party repeats the same rhetoric that Nazdratenko often uses. A victory in the referendum would presumably boost Nazdratenko's position in relation to Moscow. Yeltsin has asked Nazdratenko not to interfere in the federal government's efforts to resolve the border issue.

Once the border is demarcated, the new party will concentrate on such issues as energy and transportation prices and the coal industry, key issues affecting the krai. The leaders also said that their party has the backing of Aleksandr Lebed's Russian People's Republican Party and that he is expected to visit the region soon, Radio Rossii reported. -- Robert Orttung

RUTSKOI WANTS SCHOOLS TO USE THE BIBLE. Aleksandr Rutskoii's Kursk Oblast administration has signed an agreement with the local branch of the Russian Orthodox church to begin teaching the Bible in Kursk schools starting 1 September 1997, Segodnya reported. The agreement foresees joint work to "revive national traditions, spirituality, and morality." However, many local principals do not support the plan, citing the constitution's clear division of church and state. -- Robert Orttung

CENTER-PERIPHERY RELATIONS

TITOV JUSTIFIES DECISION NOT TO JOIN GOVERNMENT. Before offering the post of first deputy prime minister to Nizhnii Novgorod Governor Boris Nemtsov, Prime Minister Viktor Chernomyrdin had asked Samara Governor Konstantin Titov to take the position. Chernomyrdin's offer came despite the fact that Titov had recently criticized Chernomyrdin's movement Our Home is Russia and suggested that it adopt Aleksandr Lebed's economic policies. (Titov is Chernomyrdin's deputy in Our Home.) The offer also came despite Titov's continuing close ties with former head of the presidential security service, Aleksandr Korzhakov, who is now a Duma member and another enemy of the Kremlin.

In an interview with Obschchaya gazeta (20-26 March), Titov stressed that he had rejected the offer because he had just won election to the governorship in December and wanted to continue working on increasing investment in his region. He also pointed out that he is chairman of the Federation Council Budget Committee which is charged with developing "normal financial relations between the center and the regions." Joining the government, he claimed, would force him to defend the policies of the center.

In the interview, Titov also seemed to distance himself from Chernomyrdin. He pointed out that he had felt he had little choice but to join Our Home is Russia. Titov considers himself a member of Yegor Gaidar's Russia's Democratic Choice. When the offer came to join Our Home is Russia, he consulted with Gaidar, who advised him that if he did not join the "party of power," Samara might suffer because of his reduced influence at the national level. Titov explained that he had nothing to fear from the administration on account of his critical comments since he had been popularly elected and was no longer a presidential appointee. -- Robert Orttung

SOCIAL ISSUES

KRASNOYARSK NUCLEAR REFERENDUM MOVES AHEAD. The Krasnoyarsk Krai Electoral Commission certified that Greenpeace activists had collected 86,234 signatures to hold a referendum blocking the further construction of a plant to process nuclear waste, Kommersant-Daily's Vladimir Ivanidze reported 21 March. Only 25,000 signatures were needed. The local legislature must now either find that the signatures were not collected in accordance with the law, adopt the proposed question into law, or set a date for the referendum.

The PT-2 plant is supposed to process spent nuclear fuel from VVER-1000 reactors. Construction began 5 kilometers from the Yenisei River in 1984. There are similar factories in Chelyabinsk Oblast, Great Britain, and France. Work stopped, however, when the money ran out and now estimates to finish the job range between \$2-4 billion. Attempts by the Ministry of Atomic Energy to revive the project have provoked the calls for the referendum.

The plant's supporters hope to use foreign money to pay for the reactor in exchange for storing nuclear waste from abroad. On 15 January 1995, Yeltsin signed a decree that would allow the import and storage of nuclear waste from foreign countries in the region, a flagrant violation of Russian legislation. As much as 80% of the waste processed at the plant is expected to come from abroad and then be stored in the krai. The ministry is pushing ahead with its plans even though the court found Yeltsin's decree illegal.

Kostroma Oblast was the first Russian region to strike out against nuclear projects when 87% of the population voted to stop construction of an atomic energy station on 8 December 1996. -- Robert Orttung

NUMBER OF SHUTTLE TRADERS IN MOSCOW DECLINES. The number of Muscovites participating in the "shuttle trade" has fallen by 20% since the introduction of new import duties in August 1996, a Moscow official asserted on 20 March, ITAR-TASS reported. According to Vladimir Malyshkov, head of the Moscow department of consumer markets and services, supplies of products purchased mainly by people on average or below-average incomes have also fallen. New regulations introduced last summer reduced the amount of goods individual traders could bring into the country duty-free. Traders are now entitled to bring in goods worth no more than \$1,000 and weighing no more than 50 kilograms duty-free. Moscow Mayor Yurii Luzhkov has been a harsh critic of the duties, arguing that they would lead to price hikes and increased social tension. Federal government officials, however, argue that the new duties have led to an increase in revenue without affecting the volume of goods imported. An estimated 20 to 30 million people are thought to be directly or indirectly involved in the shuttle trade throughout Russia. According to Malyshkov, almost 100,000 people work in the capital's more than 200 markets, where prices are 20-35% lower than in the shops. About 970,000 people are employed in the Moscow service sector as a whole, twice as many as in 1991. -- Penny Morvant

TYVA CREATES ANTI-TERRORIST COMMISSION. The government of the central Siberian republic of Tyva has set up an anti-terrorist commission uniting representatives of various law enforcement and other government agencies, ITAR-TASS reported on 20 March. The main aim of the commission is reportedly to fight crime, which has been increasing in the republic. It will also coordinate joint operations with border guards from neighboring Mongolia. -- Penny Morvant

PRINCE PHILIP VISITS KHABAROVSK. Great Britain's Prince Philip visited Khabarovsk last week in his capacity as honorary president of the World Wide Fund for Nature (WWF), Argumenty i Fakty's regional supplement Dalinform (#12) reported (<http://vladivostok.com/AiF/>). During his stay, the prince complained about the "degradation" of Russia's nature preserves. The authorities have announced their intention to correct matters. Sakha President Mikhail Nikolaev promised to set aside 20% of the republic's territory and Khabarovsk Krai Governor Viktor Ishaev said he would set aside 10% of the krai's land for a preserve. Kamchatka Governor Vladimir Biryukov promised to create three new national parks by the year 2000, NTV reported 23 February. The WWF has spent about \$1 million a year in an attempt to save the Amur Tiger, which lives primarily in Primorskii Krai, from extinction. However, now that the number of the world's largest cats is growing slightly, krai authorities have begun discussions to allow hunting for them. Prince Philip refused to honor Primorskii Krai Governor Yevgenii Nazdratenko with a visit because of this situation, NTV reported. -- Robert Orttung

ECONOMIC DEVELOPMENTS

RUSSIA BECOMING A SERIES OF CLOSED MARKETS. Regional leaders are turning Russia into a collection of closed markets by adopting a variety of taxes and quality requirements designed to keep products made in other areas out, an editorial in Kommersant-Daily (21 March) charged. Restrictions on the sale of vodka provide one of the best examples. Regional authorities in areas as diverse as Tatarstan, Mordoviya, Buryatiya, Primorskii Krai, Amur, Ryazan, Tula, Belgorod, Nizhnii

Novgorod, Bryansk, and Tver have introduced restrictions on the import of vodka from other regions. Regional authorities hope the measures will protect their economic interests. In Tatarstan, for example, the local distillery was not producing at its full capacity, therefore depriving the republican budget of hundreds of billions of rubles. The overall impact of the restrictions, however, is to reduce the scope of Russia as a unified market. Such local protectionism also violates Russian law, which gives federal bodies the right to determine standards for products sold in the country. The current problem is the opposite of what happened at the end of the Soviet era. Then regional leaders refused to allow products produced in their region to be exported because they wanted to avoid exacerbating local shortages. -- Robert Orttung

FOREIGN INVESTORS SUSPEND PRODUCTION IN REGIONS. The Swedish company AssiDoman which holds a controlling interest in the Segezhabumprom pulp and paper company in Kareliya has decided to suspend production at the plant, Segodnya and Kommersant-Daily reported on 12 March. AssiDoman officials say that they were forced to take this step following the failure of both the federal and local governments to resolve a number of key problems affecting the plant's operations. The problems included supplying fuel to the city of Segezha, allocating timber licenses, and paying taxes and contributions to the pension fund. According to AssiDoman, Segezhabumprom's debt to the federal budget and the pension fund tops 80 billion rubles (\$14 million). The company's attempts to spread the repayment of this debt over three years were unsuccessful. This failure ruined a \$100 million credit program prepared for Segezhabumprom by the EBRD and the International Finance Corporation. Meanwhile, the German company Herlitz International Trading has decided to withdraw from the Balakhna-based Volga paper company. Herlitz also intends to sell its equity share in the firm. -- Natalia Gurushina

MORE FOREIGN INVESTMENT FOR MOSCOW. One of the largest U.S. real estate firms, Hines International, paid \$13.5 million for a long-term lease on a 15.7-hectare plot of land in north-west Moscow, Kommersant-Daily reported on 26 March. Hines International entered the Russian market five years ago. The project, which involves the construction of 265 cottages and an international school, will require a \$100 million investment. Part of the money will be raised by U.S. pension funds. This is the company's first major construction project in Moscow. Meanwhile, members of the U.S. Chamber of Commerce in Russia awarded a prize to Moscow Mayor Yurii Luzhkov for creating favorable conditions for American investors, Kommersant-Daily reported on 25 March. -- Natalia Gurushina

Compiled by Robert Orttung

REGIONAL PROFILE: REPUBLIC OF KALMYKIYA (KHALMG TANGCH)

President: Kirsan Ilyumzhinov

Then a 30-year-old multi-millionaire, Kirsan Ilyumzhinov was first elected president on 11 April 1993. He rules one of Russia's most depressed regions with an authoritarian and somewhat eccentric style. Among his first moves was disbanding the republic's legislature. The next legislature voted in August 1995 to extend his term until the year 2000. The next day, however, he decided to call pre-term elections for 15 October 1995. Running unopposed, Ilyumzhinov won 85% of the vote for a seven-year term. The Central Electoral Commission said that the

elections were not valid because there had been no alternative candidate, but the federal authorities dropped their complaint against him in January 1997 when it became inconvenient to pursue it.

Ilyumzhinov was elected president of the International Chess Federation (FIDE) in November 1995 and has sought to turn Kalmykiya into a world center for chess, building a chess palace and hotel facilities to host international competitions. After appearing to side with Russian Supreme Soviet Speaker Ruslan Khasbulatov in the September-October 1993 showdown, Ilyumzhinov renounced his republic's sovereignty in an apparent attempt to curry favor with the president. Other republican leaders strongly protested the move. Election observers say that Ilyumzhinov carried out massive fraud in the 1996 Russian presidential election to win greater support from Yeltsin.

Other Local Leaders

Chairman of People's Khural - Konstantin Maksimov (elected in October 1994)

Brief Overview

Kalmykiya lies in the south-east of European Russia in the North Caspian Depression. Its western border parallels the lower reaches of the Volga River (with a small corridor providing access to the river at Tsagan-Aman) stretching further southward along the shores of the Caspian Sea to the Kuma River. To the east, the republic's area reaches the Yergeni hills. Except these hills, where irrigation farming is possible, the steppes, semi-deserts and deserts, which cover the republic's surface, allow only livestock herding. The economy is therefore dominated by the production and partial processing of wool, leather and meat. The Kalmyk part of the Caspian Sea shelf is thought to contain oil. Uranium mining ended in the south-west part of the republic 20 years ago, and has left seriously contaminated soils.

The Kalmyks, who account for about 45% of the republic's population and continue to grow, came to the territory as a nomadic people from Central Asia in the 17th century. They established the famous Khanat of Chan Ayuki, a loyal ally of the Russian state. However, those living on the eastern bank of the Volga left again in 1771 for Dsungaria in what is now north-west China as a consequence of the increasing Russian settlement. Those who stayed gained an autonomous oblast in 1920 and an ASSR in 1935. In 1943, the Kalmyk population was brutally deported to Siberia for alleged collaboration with the German occupiers. About one-third of them died between that time and 1957, when they were allowed to return and reestablish the ASSR. Both linguistically and ethnically, the Kalmyks constitute a western branch of the Mongols, and practice a Tibetan, Lamaist form of Buddhism. Buddhists were persecuted during the Soviet era, but recently the religion has experienced a revival.

Basic Facts

1995 Population (est.): 319,700 (0.22% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 0.02%

Agricultural production as percentage of all Russian production (1994): 0.28%

Average personal income index in July 1995: 38 (Russia as a whole = 100)

Price basket index in July 1995: 86 (Russia = 100)

Average back wages owed per person (September 1995): 52,000 rubles (Russian average = 37,100)

Urban population: 37.8% (Russia overall: 73.0%)
Student population (1993): 155 per 10,000 (Russia overall: 171/10,000);
Pensioner population (1994): 17.7%
Percent of population with higher education (1989 census): 9.2% (Russia overall: 11.3%)
Percent of population working in (1993): Industry: 11.1% (Russian average: 29.9%); Agriculture: 34.4% (12.8%); Trade: 7.6% (9.1%); Culture: 13.7% (13.6%); Management: 3.5% (2.3%)
Number of telephones per 100 families (1993): in cities: 65.7 (Russian average: 41.5); in villages: 36.6 (17.2)
According to a 1995 survey by Bank Austria, the republic is ranked 69th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 58.49%/70.27% (first round/second round)
Zyuganov: 25.72%/26.71%
Lebed: 5.42%
Zhirinovskiy: 3.57%
Yavlinskii: 2.5%
Turnout: 75.66%/73.36% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Our Home Is Russia: 24.00%
Communist Party of the Russian Federation: 17.92%
Agrarian Party of Russia: 15.46%
Liberal Democratic Party of Russia: 9.62%
Communists-Workers' Russia: 6.48%
Women of Russia: 2.83%
Yabloko: 2.50%
Party of Workers' Self-Government: 1.75%
In a single-member district: 1 Agrarian Party of Russia
Turnout: 67.45% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" - 48.37% "No" - 45.52%

1993 Parliamentary Election

Liberal Democratic Party of Russia: 20.30%
Communist Party of the Russian Federation: 14.18%
Russia's Choice: 10.24%
Women of Russia: 10.51%
Agrarian Party of Russia: 11.63%
Yabloko: 4.78%
Party of Russian Unity and Concord: 8.91%
Democratic Party of Russia: 8.13%
In single-member districts: 1 New Regional Policy
Turnout: 57.76% (Russia overall: 54.34%)

1991 Presidential Election

Yeltsin: 31.06%
Ryzhkov: 27.7%
Zhirinovskiy: 10.36%
Tuleev: 18.68%
Makashov: 4.48%
Bakatin: 2.68%
Turnout: 77.65% (Russia overall: 76.66%)

Sources: Goroda Rossii [Cities of Russia], Moscow: Bolshaya Rossiiskaya Entsiklopediya, 1994; Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections], Moscow: Yuridicheskaya Literatura, 1995; Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown], Moscow: Panorama, 1996; Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995], Moscow: Central Electoral Commission, 1996; S.A. Nagaev and A.Woergoetter: Regional Risk Rating in Russia, Vienna: Bank Austria, 1995.

Compiled by Silja Haas and Anna Paretskaya

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NOTE: We have been having considerable difficulty bringing our new server on-line. We tried to send out the report last week from Prague, but succeeded in reaching only a few readers. We are sending it again to the entire list to ensure that all the subscribers receive it. If you received two copies of the report, we apologize for any inconvenience.

Dear Readers,

We are very proud to announce that as of April, the Institute for EastWest Studies (IEWS) will publish the Russian Regional Report (RRR). The Open Media Research Institute closed its research department on March 31 and will no longer have the resources to carry on this project. Starting today, all current readers will continue to receive the report. Subscription information for new readers is provided below.

Robert Orttung and Anna Paretskaya will continue to compile the weekly digest. Peter Rutland will serve as a contributor and advisor. Ambassador Heyward Isham will provide overall guidance in developing and improving the publication. Natan Shklyar will assist in all areas of producing the report. The MacArthur Foundation and the Kennan Institute for Advanced Russian Studies have provided generous financial support and will make substantive contributions to its evolution.

In the coming months, we hope to deliver improved information and analysis about developments in Russia's increasingly important republics and regions. Over time, we will include more analytical pieces in the report. A new network of regional correspondents will offer original, first-hand dispatches from across the country. The report will also make greater use of the wealth of information available about the regions on the Internet, including updates from on-line sources provided by regional newspapers, government press offices, commercial firms, and political parties.

Shortly, we will set up a new web site for the RRR on the IEWS server. The site will contain back issues of the report, a search engine to facilitate quick and easy information retrieval, and links to the most important sources of information for each region.

We would also like to encourage more reader feedback. You can reach us at:

rorttung@iews.cz
aparetskaya@glasnet.ru
nshklyar@iews.org (for Amb. Isham)

We look forward to your continued readership as we launch the next stage of the RRR.

Sincerely,

Robert Orttung
Anna Paretskaya
Amb. Heyward Isham

IEWS Russian Regional Report
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TABLE OF CONTENTS

Center-Periphery Relations

Administration Prepares to Curb Regional Leaders' Power
Siberian Conference: Too Many Federation Members
Regional Leaders Have Trouble in Moscow
Duma Challenges Republican Laws in Court

Patterns of Regional Development

Nemtsov Leaves Unresolved Problems in Nizhnii Novgorod
Rossel Changes His Tune
Racial Violence in Khakasiya
St. Petersburg Governor Faces Recall Effort

Social Issues

Chukotka Expels Greenpeace Activists
More Unrest in Kemerovo Oblast

Economic Developments

Ringroad to be Built Around St. Petersburg
Yeltsin Supports Eurobond Programs in Major Cities
Novosibirsk Oblast Defends its Bills of Exchange
Local Court Bans Sales Tax in Yaroslavl Oblast

Foreign Ties

Duma Drafts Law on Regions' Foreign Policy
Saratov Oblast Signs Agreement with Baikonur

Regional Profile: Primorskii Krai

Center-Periphery Relations

ADMINISTRATION PREPARES TO CURB REGIONAL LEADERS' POWER

President Boris Yeltsin and the regional elite are now involved in a delicate dance as they both try to strengthen their position against the other. The two sides are vying over political power

and the strategic direction of the country's economic policy. However, the relationship between Yeltsin and the governors is not entirely inimical since both sides want to use the other in their struggle against other actors. While Yeltsin wants to reduce the power of the governors, he also hopes to use them in his battle against the opposition-minded State Duma. The governors seek to reduce federal control over their actions, but want to employ the national authorities as an ally against upstart local governments.

Yeltsin is concerned that the governors elected in the recent campaign, filling positions previously held by presidential appointees, will be unwilling to carry out orders from the center. Due to a lack of funds in the Russian budget, the federal government cannot even enforce compliance through one of its most potent tools, subsidies from the federal budget to the regions. In these conditions, several governors have begun demonstrating their independence by threatening to halt tax payments to the federal budget if the government continues to ignore their financial needs. The center, in turn, has begun looking for a mechanism that would allow it to punish the leaders of regions who violate federal legislation.

In addition to the disputes over questions of political power, Yeltsin and the governors are still sharply divided on economic policy. Governors speaking at a symposium sponsored by the Academy of Science's Economic Institute severely criticized the government's strict fiscal policies as harming the country's industry and agriculture by sharply curtailing output, *Finansovye izvestiya* reported 8 April. The governors also charged that the government is fighting inflation mainly by holding up salary and pension payments. The Central Bank's efforts to stem the dollarization of the economy and the use of money surrogates and barter trade are ineffective, the regional leaders believe. The governors are also concerned about Russia's external and internal debts, now reaching \$130 billion and 570 trillion rubles, respectively. The regional executives favor a policy of stimulating growth as a way of increasing the flow of rubles into federal coffers, rather than the government's current policy of cracking down on large firms that have failed to make their tax payments to the federal budget. The governors generally support the idea of dramatically increasing agricultural subsidies. None of these policies are likely to win the backing of the president or government, however.

To deal with the growing pressure from beyond Moscow, the presidential administration has prepared a package of decrees seeking to develop an effective mechanism for controlling regional executives. Yeltsin is expected to sign the orders soon, according to the 31 March issue of *Segodnya* and *Moskovskie novosti* (no. 12). First of all, the president will strengthen his representatives in the regions. Yeltsin originally created the positions of governor and regional representative in the early 1990s to exert greater control over the territories beyond Moscow. During the time when he personally appointed all the governors, the representatives were essentially powerless observers. The new decrees, however, will give them considerable leverage. In addition to their present task of determining whether laws and edicts issued by regional authorities conform to Russian legislation and the federal constitution, they will coordinate the operations of all federal state institutions, including law-enforcement bodies, in their respective regions. While the heads of federal institutions in the regions will be nominated after consultations with regional executives, presidential representatives will have the final word in such appointments. They will also oversee the use of federal property outside of Moscow.

Moreover, under the draft decree, they will be empowered to introduce states of emergency within their jurisdiction.

According to the draft decree, presidential representatives will be assigned to all federation subjects, including the national republics. The existing regulations do not require the presence of presidential envoys in the republics. The draft decree also stipulates that one representative may supervise several neighboring federation subjects. The presidential administration claims that such multi-jurisdictional oversight will apply only to regions in which autonomous okrugs are subordinate to oblasts (for example, the Khanty-Mansi and Yamal-Nenets autonomous okrugs are formally located within the territory of Tyumen Oblast). However, *Moskovskie novosti* suggests that giving one presidential representative control of many regions may be another attempt to increase the size of the Russian Federation's administrative units by merging several federation subjects, an idea strongly supported by First Deputy Prime Minister Anatolii Chubais, who was until recently Yeltsin's chief of staff. (For a Siberian perspective on this issue, see below.) If such a plan were implemented, the leaders of these larger units would be stronger, but, according to administration calculations, easier to reach agreement with.

Following the gubernatorial elections, the center no longer has the legal power to remove a governor from office even if he issues decrees that violate federal legislation. Another part of the package aimed against the governors would give the prime minister the right to monitor the activity of regional governors and prevent the issuance of unconstitutional orders. If the prime minister considers any of a governor's actions or decrees unconstitutional, he can ask the regional leader to nullify it. If the governor disobeys, the prime minister can request presidential intervention. If the regional leader continues to insist on the legitimacy of his action, the president may pass the case on to the court and remove the regional executive pending a verdict.

Despite presidential administration claims to the contrary, the decrees are likely to provoke a negative reaction from regional leaders who just recently gained their independence from the federal government. *Moskovskie novosti* points out that if the governors decide to challenge the decrees reestablishing the center's ability to remove regional leaders in court, they will be able to make a strong case. While the authors of the decrees cite the 1991 Law on President as giving Yeltsin wide authority, some of the provisions of this law contradict the constitution adopted two years later.

In addition to the legal issues, Yeltsin may be acting cautiously in not signing the decrees right away because he wants to use the governors as an ally in his battle against the Duma. In a meeting with 11 governors 9 April, Yeltsin sought to strengthen the role of the Federation Council as a buffer against the oppositionist lower house. Both the president and many of the regional leaders generally view the Duma as too politicized and inclined to passing legislation that is impossible to implement. Yeltsin told Federation Council Speaker Yegor Stroeve and the governors that he was unhappy that the upper house continued to send him a large number of laws that he had to veto, RIA Novosti reported (<http://www.russia.net/ria/hotline/hotline.htm>). The delegation of governors, which included representatives from across the political spectrum, supported his proposal to increase the size of the upper house's legal staff to give the body more resources to counter Duma initiatives.

The governors, for their part, pushed for a greater say in the federal government's personnel policies. Additionally, in exchange for helping Yeltsin combat the Duma, the regional executives want federal support in keeping local governments in line. St. Petersburg Governor Vladimir Yakovlev, for example, told *Kommersant-Daily* that when village soviets declare that the airspace over their region is sovereign, "it is not only stupidity, but a serious state crisis." To address this issue, the president and the governors agreed to begin drafting a law defining the vertical hierarchy of power in the country. In the past, the federal administration occasionally found it useful to ally with local leaders in order to reduce the influence of rebellious governors, as in the case of Primorskii Krai Governor Yevgenii Nazdratenko. However, the recent trip by Presidential Administration Deputy Chief of Staff Yevgenii Savostyanov to get Nazdratenko and Vladivostok Mayor Viktor Cherepkov to tone down their long-running feud shows that now the administration sees cooperation between regional and local leaders as being in its interest. -- Robert Orttung and Anna Paretskaya

SIBERIAN CONFERENCE: TOO MANY FEDERATION MEMBERS. The participants in a 27 March Novosibirsk conference entitled "Russian Federalism: the Siberian View" concluded that Russia's 89 republics and regions are too many, *Novaya Sibir* reported (<http://plato.sr.unh.edu/siberia/>). Novosibirsk Professor A. Osipov claimed that by stressing the need to preserve the federation in its current form, certain politicians and regional leaders were depriving Russia of a future. He branded the notion that the country would fall apart if changes were made to its internal borders as a myth.

The idea of reducing the number of federation members is gaining wider attention. In addition to Chubais' support, Moscow Mayor Yurii Luzhkov proposed reducing the number of units to 10-12. Luzhkov's statements received a muted reaction and have not become a major topic of discussion.

Osipov sees altering the borders as a way to reduce the local bureaucracy. He believes that it is growing rapidly and can no longer be controlled by political leaders. He argues that these officials do not have the will or authority to address the country's problems.

If the number of regions in Siberia were to be reduced, some would benefit at others' expense. Novosibirsk could expect to be named the capital of a new "West Siberian Krai," as it was from 1930-1937, while Kemerovo Oblast, considered an artificial creation where numerous coal mines are located, would be swallowed up. Although Chubais hopes that such a reduction in the number of federation members would make the remaining members easier to handle, the smaller number of governors could find it easier to press their demands against the center because they would have less trouble organizing themselves. -- Robert Orttung

REGIONAL LEADERS HAVE TROUBLE IN MOSCOW. President Boris Yeltsin's most recent cabinet reshuffle was notable because it brought regional leaders to high national office, most notably First Deputy Prime Minister Boris Nemtsov and Deputy Prime Minister and Labor Minister Oleg Sysuev, the former mayor of Samara. Despite their regional successes, both are having considerable difficulty asserting their authority at the national level. Nemtsov's honeymoon is already over, as the press has attacked him for asking Yeltsin to sign a decree forcing all civil servants out of their imported cars and into Volgas, which are produced in

Nizhnii Novgorod. Commentators have also been critical of Nemtsov's failure to bring members of Yabloko into the cabinet. Nemtsov's lack of his own team of supporters places him at the mercy of better established groups within the bureaucracy (See the 4 April posting to <http://www.inforis.ru/n-nov/info/brief/index.shtml.k>).

Nemtsov's deputy Sysuev is also struggling. In his short tenure, he has already been put in charge of 15 commissions, including one to celebrate the 300th anniversary of the Russian samovar, *Nezavisimaya gazeta* reported. All of these distractions will force him to spend less time on the main task of paying back wages and pensions and improving the country's tattered social security net, and are undoubtedly part of a campaign by Moscow insiders to trip up the newcomer. -- Robert Orttung

DUMA CHALLENGES REPUBLICAN LAWS IN COURT. The State Duma has asked the Constitutional Court to review the Bashkortostan constitution and law on presidential elections and the Komi civil service law. The deputies believe that the regional legislation violates the Russian Constitution.

Under the Bashkir constitution and electoral law, only a citizen of Bashkortostan between the age of 35 and 65 who has lived in the republic for ten years prior to election day is eligible to run for the republican presidency, *Segodnya* reported on 11 April. The Duma deputies believe that these provisions contradict the federal legislation that gives equal rights to all Russian Federation citizens regardless of their place of residency within the country. Other republics and regions have also violated this requirement, but it has been enforced selectively. The Constitutional Court ordered Kursk Oblast to register Aleksandr Rutskoi at the last minute even though he had not lived in the oblast for the year prior to the election. Aleksei Lebed also won his case to run in Khakassiya. Similar cases failed in Tatarstan and Adygeya, however. No one has filed a complaint against the Tyvan law which requires candidates to have resided in the republic for the 15 years prior to election.

In the case of the Komi law, members of republican and local legislatures must quit their positions as legislators if they take a job in the executive or judicial branch, *Rossiiskaya gazeta* reported on 8 April. However, the new legislation does not affect those legislators who had been appointed to state office before the law was passed. The Duma deputies complained that the combination of legislative and other state positions violates the principle of the separation of power enshrined in the constitution.

The federal government recently launched a campaign to bring regional legislation in line with federal standards. According to Chubais, the laws of about one third of the federation subjects violate federal legislation. Of the national republics, only Kalmykiya and Kareliya do not have legislation that contradicts federal law. The majority of the national republics impose restrictions on presidential candidates, forcing them to show a good command of the national language and reside in the republic for a specific period. -- Anna Paretskaya in Moscow

PATTERNS OF REGIONAL DEVELOPMENT

NEMTSOV LEAVES UNRESOLVED PROBLEMS IN NIZHNI NOVGOROD. Although Nizhnii Novgorod Oblast is widely recognized as one of the most politically and economically

stable in Russia, many analysts agree that it may face problems after the departure of Governor Boris Nemtsov to the federal government. Some charge that the less successful aspects of his economic reforms may soon have a detrimental impact on the oblast's entire economy. Others claim that his strong personality, which was the main attraction for some investors to the region, overshadowed other local politicians, making it difficult for his successors to build on his accomplishments.

A report by the Russian Academy of Agricultural Science said that the oblast's agriculture is in a "disastrous situation," *Segodnya* reported on 25 March. According to the report, the area of land producing grain has decreased by one third between 1993 and 1996, the number of cattle dropped by 10%, and agricultural productivity declined 8% more than in neighboring Kirov Oblast, which is considered to have worse natural conditions for farming. Additionally, only 37% of the oblast budget was fulfilled last year, according to *Rabochaya tribuna* on 28 March. Prices for municipal services, transportation and basic food products are much higher than in the neighboring regions, and are among the highest in the country in general. Unemployment is growing, while teachers, doctors, and employees of other budget-financed institutions strike over unpaid wages.

Some analysts fear that the situation in the oblast will deteriorate following Nemtsov's departure. The oblast's high rank in terms of investment climate (3rd among 89 Russia's regions, according to a 1995 survey by Bank Austria) was, to a great extent, Nemtsov's personal accomplishment. MacDonald's, Galina Blanka, and Parmalat decided to work in the oblast because of Nemtsov's personal contacts, according to *Rabochaya tribuna* and *Moskovskie novosti* (no. 13). In the meantime, few domestic and foreign entrepreneurs will be eager to invest in the oblast economy under a new governor since no other leader will be able to guarantee investments the way Nemtsov could, *Moskovskie novosti* claims.

Additionally, Nemtsov's departure may exacerbate the political situation in Nizhnii Novgorod. Many anticipated that he would endorse one of his closest associates, Nizhnii Novgorod Mayor Ivan Sklyarov, or the current acting governor Yurii Lebedev to succeed him. He said, however, that he would prefer either GAZ automobile factory Director Nikolai Pugin or Gorkii Railroad head Omari Sharadze as his replacement, and hoped Sklyarov would stay in the mayor's office. While the industrialists have indicated that they do not want to run, a divided democratic camp could create favorable conditions for the victory of candidates from the communist opposition or Vladimir Zhirinovskiy's Liberal Democratic Party.

The Nizhnii Novgorod Legislative Assembly voted 32-8 on 15 April to hold the gubernatorial elections on 29 June 1997 (<http://www.inforis.ru/n-nov/info/brief/index.shtml.k>). Nemtsov had proposed postponing the gubernatorial elections until the legislative elections in March 1998, perhaps because he fears that he will not last long in the federal government and would want to return to his position in Nizhnii Novgorod. Local observers believe that moving the date up to June greatly improves the electoral chances of Mayor Sklyarov. -- Anna Paretskaya in Moscow

ROSSEL CHANGES HIS TUNE. At the third congress of his Transformation of the Fatherland movement on 12 April, Sverdlovsk Governor Eduard Rossel was uncharacteristically generous in his assessment of the federal government's responsibility for the

problems besetting the country, *Kommersant-Daily* reported 15 April. The governor, famous for his attempt to create a Urals Republic and demand that the federal government change its economic policies, said that it was not correct to lay all the blame on Moscow and that the regional elite must accept some of the responsibility as well. The newspaper suggested that Rossel's personal transformation may have been the result of a recent visit to Yekaterinburg by Yeltsin's politically active daughter, Tatyana Dyachenko. Her visit to Boris Nemtsov in Nizhnii Novgorod preceded his sudden elevation to a cabinet post. Rossel claimed that he had no intentions of leaving Sverdlovsk Oblast, but *Kommersant-Daily* speculated that he may be interested in reviving and leading the Ministry of Defense Industry, which was recently subsumed into the Ministry of Industry.

Although Rossel's party plays a powerful role in the oblast, it has failed to achieve national prominence. No significant political figures from outside the region attended the congress. In the 1995 Duma party-list voting, the party won a meager 0.49% nationwide, but led Sverdlovsk Oblast with 12% of the vote. -- Robert Orttung

RACIAL VIOLENCE IN KHAKASIYA. About 300 Russian-speaking residents from the settlement of Shira in the west Siberian Republic of Khakasiya attacked and burned the apartments and cars of local Azerbaijani residents, *Izvestiya* reported on 8 and 9 April. The incident followed the funeral on 5 April of a 23 year-old Russian shot dead in a fight with an Azerbaijani. Seven Azerbaijani children and nine adults were evacuated by police; two men were hospitalized. Local Russian residents accuse the Azerbaijanis of dealing in drugs and illegally-produced alcohol and are calling for their deportation along with that of local Roma. A similar incident occurred elsewhere in Khakasiya in the summer of 1992. That attack, in the town of Sayanogorsk, was sparked by a dispute between Russian and Azerbaijani vodka traders. -- Penny Morvant

ST. PETERSBURG GOVERNOR FACES RECALL EFFORT. The St. Petersburg Electoral Commission has registered an initiative group which plans to hold a city-wide vote of confidence in Governor Vladimir Yakovlev, *Nezavisimaya gazeta* reported on 15 April. Under the city law on referendums, the group has 40 days to collect 150,000 signatures after which the electoral commission will set a date for the referendum. City residents will be asked two questions: "Do you think that your living standard has decreased as a result of the governor's policies?" and "Do you think the governor should resign?" At the end of March, a communist attempt to register a similar referendum was denied (see *Russian Regional Report*, 27 March 1997).

Observers say that if the referendum were held today, Yakovlev would certainly be voted out of office. However, Yakovlev has some time to reduce voter anger about his administration's decision to raise the cost of apartment rents and municipal services.

Anatolii Sobchak, who lost the governorship to Yakovlev last June, believes that the referendum will be useful no matter what the result. Even if fewer than 50% of the voters participate, the legal limit for the vote to be valid, Yakovlev will be forced to change his policy. If he is defeated, the president or city legislative assembly would most likely put pressure on him to resign, although this is not required by law. Yeltsin's presidential representative to the city,

Sergei Tsyplyaev, on the contrary, believes that the referendum will harm the city's political stability. He told the *Nezavisimaya gazeta* that voters have to be more responsible when they elect a governor and accept the fact that they cannot remove him in the middle of his term.

After the first attempt to hold the referendum, the city administration tried to persuade deputies of the local legislature to amend the referendum law, according to *Nezavisimaya gazeta*. Yakovlev's office wanted the law to explicitly exclude popular confidence votes in the city administration and governor. Though the attempt failed, Yakovlev is confident that he will retain his office. He claims that activists from radical left and radical right parties are trying to use the referendum to put their people in the governor's office, after failing to do so in last year's gubernatorial election. -- Anna Paretskaya in Moscow

SOCIAL ISSUES

CHUKOTKA EXPELS GREENPEACE ACTIVISTS. The administration of the Chukots Autonomous Okrug has expelled a Greenpeace film crew and other members of the international environmental organization from the territory, ostensibly for violating visa regulations, *Express-khronikha* reported on 11 April. The group, headed by a specialist in climate changes, was examining the consequences of unusually sharp fluctuations in temperature in the area in February. A rapid thaw followed by a new freeze covered the tundra's reindeer moss with a sheet of ice, leading to the deaths of thousands of animals by starvation. Greenpeace argues that the Chukotka authorities should have taken additional measures to save the reindeer. The local authorities, in turn, contend that the environmental activists had no right to visit the area, which they claim is subject to special regulations as part of Russia's border zone. Although Chukotka is a border region, Greenpeace counters that it did not need special permission from the local authorities as the area in question is outside the five-kilometer band of territory defined by Russian federal law as constituting the border zone. The organization has taken the case to the General Prosecutor's Office. Several regions seek to restrict access by foreigners, and environmentalists are a popular target. -- Penny Morvant

MORE UNREST IN KEMEROVO OBLAST. Miners from the Yagunov pit in the Kuzbass blocked the Novosibirsk-Kemerovo railway line and the Novosibirsk-Krasnoyarsk highway on 15 April to demand the payment of delayed wages, *Kommersant-Daily* reported the following day. A week ago miners from Anzhero-Suzhdensk blocked the Trans-Siberian railway for 16 hours, also to protest wage arrears. There have been numerous other similar protests and strikes in recent months over unpaid wages and pensions and plans to close unprofitable pits. The Yagunov miners dispersed when Yurii Malyshev, the head of the Russian coal concern Rosugol, promised that 2 billion rubles would be paid out the following day. Kemerovo Mayor Vladimir Mikhailov promised the demonstrators that the city authorities would take no further steps to keep the roads and railways open if the money was not forthcoming. Protesters generally have to contend with police and units of OMON special forces. -- Penny Morvant

ECONOMIC DEVELOPMENTS

RINGROAD TO BE BUILT AROUND ST. PETERSBURG. St. Petersburg Governor Vladimir Yakovlev has signed an order setting up a consortium to build a city ringroad, *Kommersant-Daily* reported on 9 April. The idea of building a toll road around the city, which has been under discussion for almost 30 years, was approved at a meeting between the Russian and Finnish presidents in Helsinki in March. The bypass, to be constructed partly along a dike, will be part of a Moscow-Helsinki highway. Two years ago the St. Petersburg City and Leningrad Oblast authorities agreed on measures to develop a ringroad which were not implemented because of a lack of funds. Unofficial estimates put the cost of the road at \$460-\$520 million. Yakovlev asserts that local residents will not bear these costs, which will be covered by loans and subsidies from the federal and local road funds. His administration has already prepared a draft presidential decree on support for the project. The consortium set up by the governor will include the city and regional administrations, the Transport Ministry, and more than 50 Russian and Western firms. The volume of traffic in St. Petersburg is growing rapidly, leading to severe congestion and high levels of air and noise pollution. As well as relieving the city, the road should also boost the development of port facilities on the Bay of Finland. It is likely to take at least 10 years to complete. -- Penny Morvant

YELTSIN SUPPORTS EUROBOND PROGRAMS IN MOSCOW, NIZHNI NOVGOROD, AND ST. PETERSBURG. President Boris Yeltsin has signed a decree which provides a number of benefits to eurobond programs in Moscow, St. Petersburg, and the Nizhni Novgorod Oblast, *Kommersant-Daily* reported on 10 April. These three regions will be allowed to spread the repayment of the tax on the registration of the emission's prospectus -- 0.8% of the volume of the issue -- over six months (other less fortunate eurobond-issuing regions will have to pay the whole sum of the tax at once). Yeltsin's decree is thought to confirm the reliability of eurobonds in the regions that have already received international credit grades from the major international rating agencies. The inclusion of St. Petersburg in the group of regional eurobond "beneficiaries," however, raises a lot of questions. The city is experiencing serious problems with its municipal bonds, as receipts from new bond issuances are spent almost exclusively on the repayment of outstanding bonds that are coming due. The budgetary situation in the city also remains tense. The extent of budgetary problems was emphasized by the recent demarche of the St. Petersburg Governor Vladimir Yakovlev who threatened to halt the payment of federal taxes unless the federal government repays its debt to budgetary organizations in the city, *Kommersant-Daily* reported on 11 April. Yakovlev's threat is the most recent in the series of similar (albeit unsuccessful) tax revolts in Sakhalin, Tula and Irkutsk oblasts, and in the Krasnodar Krai. -- Natalia Gurushina

NOVOSIBIRSK OBLAST DEFENDS ITS BILLS OF EXCHANGE. The administration of Novosibirsk Oblast has decided to defend its right to run its monetary policy independently from the center and joined forces with the Federal Securities Commission in keeping afloat the regional bills of exchange (vekselya) program, *Kommersant-Daily* reported on 11 April. This step, however, is likely to get the region's authorities into trouble with the State Duma, which in February 1997 overrode the Federation Council's veto of the draft law on bills of exchange. This bill banned the issuance of electronic veksel'ya and limited the regions' right to float these

financial instruments in paper form. In 1996 and the first quarter of 1997, the oblast's government issued 211 billion rubles and 120 billion rubles worth of electronic veksel'ya, respectively. They were extensively used for the repayment of mutual debts between local companies and for the payment of taxes to the local budget. The oblast's administration is now planning to set up a special municipal veksel'ya chamber affiliated with the local municipal bank. It also intends to ask the Constitutional Court to revoke the restrictive law on veksel'ya. -- Natalia Gurushina

LOCAL COURT BANS SALES TAX IN YAROSLAVL OBLAST. The regional court of the Yaroslavl Oblast has banned the introduction of a tax on sales of goods and services bought by individuals and paid for in cash in the region, *Kommersant-Daily* reported on 12 April. The judges argued that such a tax contravenes the federal fiscal code. The 4% tax, introduced by the oblast's duma in February 1997, was expected to bring some 80 billion rubles (\$14 million) of additional revenue to the local budget which the oblast's administration planned to spend on social programs, health care and education. The expected additional revenue figure, however, compares unfavorably with the nearly 1 trillion debt of local tax-payers to the oblast's budget (as of 1996). Governor Anatolii Lisitsyn -- a major supporter of the banned tax -- maintained that the region's financial problems (some of which were expected to be solved by the tax's introduction) resulted largely from the federal government's inefficient policy towards the provinces. The existence of such a large tax debt, however, suggests that the local authorities should bear equal responsibility for gaps in the local budget. Hitherto, unlawful fiscal initiatives by regional authorities were blocked in Chuvashiya, and Belgorod and Arkhangelsk oblasts. -- Natalia Gurushina

FOREIGN TIES

DUMA DRAFTS LAW ON REGIONS' FOREIGN POLICY. The State Duma has approved a bill on the first reading defining the region's rights in making their own foreign policy, *Kommersant-Daily* reported 16 April. While the bill must still pass through two more readings in the lower house, it cleared the first barrier to passage with an unusual majority of 318-10. According to Yabloko's Vladimir Lukin, chairman of the Committee on International Affairs, the bill permits everything except what is forbidden by federal law. According to the paper's analysis, the law will essentially codify the current situation which gives the regions broad freedom to establish foreign economic ties, since such relations will not only help the regions involved, but Russia as a whole. The main limits focus on issues like forcing Tatarstan to remove the clause in its constitution declaring the republic as a subject of international law. This clause has only symbolic value, but republican leaders are loath to remove it. -- Robert Ortung

SARATOV OBLAST SIGNS AGREEMENT WITH BAIKONUR. The Saratov Oblast government and the administration of Leninsk in Kazakstan signed a cooperation agreement on 6 April, Radio Rossii reported. Leninsk, which services the Baikonur space station, is jointly administered by Russia and Kazakstan. Russia leased Baikonur, formerly the Soviet Union's main cosmodrome, from Kazakstan in 1994 for a period of 20 years. The agreement with

Saratov envisages the establishment of a trade center in the Kazak city and the construction of housing in Saratov Oblast for Russians leaving the space center. Leninsk Mayor Gennadii Dmitrienko described it as the first direct agreement between Baikonur and one of Russia's regions. -- Penny Morvant

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REGIONAL PROFILE:

PRIMORSKII KRAI

Governor: Yevgenii Nazdratenko

Yeltsin appointed Yevgenii Nazdratenko as Primorskii Krai Governor in May 1993 on the advice of major regional enterprise directors who had united in the Primore Joint Stock Corporation of Goods Producers (PAKT). In December 1995, he stood for popular election and secured the office by winning about 75% of the vote.

Observers have charged Nazdratenko with serious human rights violations and the imposition of media censorship. In March 1994, he removed the popularly elected mayor of Vladivostok, Viktor Cherepkov, from office by force, following trumped up allegations that he had taken bribes, and replaced him with a more loyal figure in Konstantin Tolstoshein. At the time, Yeltsin backed Nazdratenko. Following a court ruling that the move was illegal, Yeltsin ordered Nazdratenko to reinstate Cherepkov on 24 September 1996, setting up the next stage of confrontation between the governor and mayor.

Nazdratenko's hatred of Cherepkov grew out of the mayor's close ties with Chubais. Cherepkov and Chubais are both members of former acting Prime Minister Yegor Gaidar's party, Russia's Democratic Choice, while Nazdratenko was among the regional leaders who condemned Chubais' privatization plans and resisted their implementation. When Chubais became the head of the presidential administration in July 1996, Nazdratenko sought to circumvent him by dealing directly with the government, where he had several patrons. Now that Chubais is back in the government and has strong allies in Yeltsin's administration, Nazdratenko cannot avoid his influence: his powers in Moscow have considerably decreased, while his opponents at home have strengthened.

Other Local Leaders

Chairman of Duma -- Nikolai Litvinov (elected in December 1996)

Brief Overview

Primorskii Krai lies in the southern part of the Russian Far East occupying 165,900 sq km along the coast of the Sea of Japan. It borders with China and North Korea in the West and South-West, and with Russia's Khabarovsk Krai in the North. Major industries include

forestry, fishing, coal and rare metals mining, non-ferrous metallurgy, machine-building, and shipping. The krai is also one of Russia's most important spots for rice and soybean cultivation.

Vladivostok and Nakhodka are the largest cities and main ports in the krai, which provides over 60% of the Far East's transportation needs. They, as well as some smaller harbors, host most of Russia's Pacific Fleet. Another city-port, Bolshoi Kamen, houses the Zvezda plant which processes nuclear waste. Both Vladivostok and Nakhodka were closed to foreign visitors during the Soviet era. When they were opened in the early 1990s, they experienced a boom of foreign investment. Nakhodka particularly benefited since it was one of the first free economic zones in the country. Recently, the krai's economy has become more oriented toward foreign markets, boosting its influence in the Pacific Region.

Basic Facts

1994 Population (est.): 2,273,100 (1.53% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 1.23%

Agricultural production as percentage of all Russian production (1994): 1.60%

Average personal income index in July 1995: 99 (Russia as a whole = 100)

Price basket index in July 1995: 166 (Russia = 100)

Average back wages owed per person (September 1995): 61,800 rubles (Russian average = 37,100)

Urban population: 77.7% (Russia overall: 73.0%)

Student population (1993): 180 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 18.5%

Percent of population with higher education (1989 census): 12.8% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 26.0% (Russian average: 29.9%);

Agriculture: 9.4% (12.8%); Trade: 10.4% (9.1%); Culture: 12.8% (13.6%); Management: 3.2% (2.3%)

Number of telephones per 100 families (1993): in cities : 23.7 (Russian average: 41.5); in villages: 16.5 (17.2)

According to a 1995 survey by Bank Austria, the krai is ranked 59th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 29.55% / 52.26% (first round / second round)

Zyuganov: 24.56% / 39.41%

Lebed: 19.47%

Zhirinovskiy: 12.73%

Yavlinskii: 7.16%

Turnout: 66.13% / 63.26% (Russia overall: 69.67% / 68.79%)

1995 Parliamentary Election

Liberal Democratic Party of Russia: 20.12%
Communist Party of the Russian Federation: 18.50%
Yabloko: 9.56%
Women of Russia: 6.43%
Derzhava: 6.35%
Congress of Russian Communities: 5.11%
Communists -- Workers' Russia: 3.96%
Our Home Is Russia: 3.45%
In single-member districts: 1 Women of Russia, 1 Communist Party of the Russian Federation,
1 independent
Turnout: 62.17% (Russia overall: 64.37%)

1993 Constitutional Referendum

“Yes” - 68.95% “No” - 27.55%

1993 Parliamentary Elections

Liberal Democratic Party of Russia: 23.34%
Women of Russia: 15.27%
Russia's Choice: 14.09%
Communist Party of the Russian Federation: 8.74%
Yabloko: 8.58%
Party of Russian Unity and Concord: 8.18%
Democratic Party of Russia: 7.32%
From electoral associations: 1 Liberal Democratic Party of Russia, 1 Women of Russia, 1
Democratic Party of Russia
In single-member districts: 1 Democratic Party of Russia, 1 Yabloko, 1 12 December Union
Turnout: 50.39% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 61.45%
Ryzhkov: 15.60%
Zhirinovskiy: 5.52%
Tuleev: 3.98%
Makashov: 5.54%
Bakatin: 3.89%
Turnout: 71.65% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections]*, Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown]*, Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995]*, Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii*

[*Governors of Russia*], Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter:
Regional Risk Rating in Russia, Vienna: Bank Austria, 1995.

Compiled by Anna Paretskaya

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TABLE OF CONTENTS

Patterns of Regional Development

Elections Deepen Split in Tyumen Oblast

Unified Regional Elites Grapple With Separation of Power

Irkutsk Governor Resigns

Irkutsk Oblast Strengthens Judicial Branch

Roots of Nazdratenko-Cherepkov Dispute

Ethnic Conflict and Regional Separatism

Crisis in Khasavyurt Threatens to Split Dagestan

Social Issues

Regional Human Rights Committees Conceal Abuses

Business Briefs

A Weekly Summary of Key Deals in the Regions

Economic Issues

St. Petersburg Fire Inspectorate Threatens Foreign Investment

New Foreign Credit Deal for Bashkortostan

Nizhnii Novgorod Launches Electrical Energy Experiment

Foreign Ties

Siberian Governments Begin Policing Mongolian Border

Regional Profile: Kamchatka Oblast

PATTERNS OF REGIONAL DEVELOPMENT

ELECTIONS DEEPEN SPLIT IN TYUMEN OBLAST

The gubernatorial elections of 1996-97 have deepened the division of resource-rich Tyumen oblast into three parts, each of which elected its own governor. A key issue in the split (signs of

which emerged before the collapse of the Soviet Union) is control over revenue from oil and gas. Most of Russia's oil comes from the Khanty-Mansii Autonomous Okrug (KMAO) in the center of the oblast; over 90 per cent of its gas comes from the Yamal-Nenets Autonomous Okrug (YNAO) in the far north and passes through the KMAO. The okrugs account for over 90% of output and profits in the oblast. In the 1970s and 1980s, the okrugs were raw material appendages run from the town of Tyumen, the 'regional metropolis' in the southern rump of the oblast ('Tyumen proper'). Now Tyumen's status is in doubt. Leonid Roketskii, elected solely by the voters of Tyumen proper, is head of the oblast only in name. Such developments have an international dimension since Russia is a major oil exporter. Much of central and eastern Europe is heavily dependent on Russian gas, as is Turkey.

Two factors have helped propel the oblast towards a split. One is the extreme financial pressure on local and regional budgets. The scarcity of money makes oil and gas particularly attractive as alternative sources of revenue. The other is the 1993 constitution's promotion of Russia's okrugs to equal status with the oblasts. The okrug's new clout meant that the Tyumen Oblast authorities lost both political and budgetary control over the okrugs. At the same time, the law on underground resources gave the okrugs the right to levy certain fees on the exploitation of oil and gas on their territory. Thus emboldened, the okrug leaders asserted themselves against what they saw as the traditional privileges of Tyumen proper. One argued that all the educational, medical and cultural facilities were far away in the south and that the practice of treating the okrugs as raw material appendages was continuing. Another claimed that an ostensibly region-wide program provided for the installation of domestic gas in Tyumen proper but not in the northern districts from which the gas originated. Meanwhile, the oblast authorities attempted to regain some sort of dominance. A series of disputes followed. By the end of 1996 (i.e., after their re-election), the governors of both okrugs were pressing to secede from the oblast completely and establish direct ties with Moscow.

These differences arose in part because post-Soviet relations between oblasts and okrugs have not been centrally or constitutionally defined. A prolonged attempt from 1991 to 1993 to negotiate a modified framework of relations inside the oblast came to nothing. The 1993 constitution did not resolve the problem either, because while one passage gives the okrugs equal status with the oblasts and krais, another subordinates okrugs to the oblasts and krais on whose territory they are located. The Tyumen oblast authorities then submitted a bill to the State Duma. Their draft proposed putting things like energy supply, pipelines and law and order within the exclusive jurisdiction of the oblast authorities and placing the use of natural resources in joint jurisdiction. The Tyumen oblast charter (regional constitution) described the okrugs as integral and equal parts of the oblast. The KMAO charter asserted that the okrug was independent of the rest of the oblast. Not surprisingly, the okrug authorities seemed to be more favorably inclined than those of the oblast to a treaty on mutual cooperation signed in September 1995, setting up a coordinating administrative council. However, there were difficulties about cementing the treaty and about the commitment of the YNAO leadership. By the end of January 1996, the Tyumen Oblast Duma was passing laws about underground resources which applied, for the time being at any rate, only outside the okrugs in which nearly all of the resources were located.

The reasons to preserve the oblast's unity did little to slow the secessionist drive. One such reason was the impulse to present a united front to Moscow. The oblast as a whole makes a much larger per capita contribution to the federal budget than any other region in Russia. There is a feeling in the region that its wealth is being drained, especially by the ethnically-defined republics, with very little by way of return. However, the okrug leaderships seem to feel that acting as part of the small group of 'donor' regions is a more effective way of bringing pressure to bear on the federal government than is lining up with Tyumen proper.

Secondly, the leading figures' common background and experience might have helped them find a common language. They came up through oil and oil-related industries in the 1970s and 1980s, avoided extensive purges in the mid-1980s, and have tended to move consecutively up the Soviet and post-Soviet political ladder since then. But real power in the region belongs to the big oil and gas companies, not to the political elites. The balance of forces is one in which the giant gas monopoly Gazprom could obtain an exclusive development license for the YNAO by presidential decree in defiance of the law on underground resources. Gazprom has also avoided paying hundreds of millions of dollars to the YNAO, partly through its transfer pricing system which greatly undervalues gas at the point of production, thus reducing its tax obligations. (Interestingly, Gazprom reportedly pays KMAO more for transmitting gas than YNAO for producing it.) The people of the KMAO were excluded from acquiring a stake in the major oil companies, 92% of LUKoil's shares being sold in Moscow, for example, and only 0.4% locally. On the other hand, the okrugs have become dependent on the resource revenue that does come to them. In 1993, such funds made up 15.4 per cent of YNAO's revenue. In 1995, they amounted to 70 per cent of revenue in the YNAO district of Pur. Sergei Sobyanin, chairman of the KMAO Duma, has refused point-blank to criticize the big oil companies for carrying on what he sees as their legitimate business. Given this situation, it is not surprising that the regional elites in the oblast felt more dependent on the support of these companies than on the goodwill of each other.

This fragmentation and realignment of the regional elites seems to have come to a head in the gubernatorial elections, particularly in Tyumen proper, where Roketskii's challenger, Sergei Atroshenko, got 33 per cent of the vote (against Roketskii's 59 per cent). According to *Izvestiya*, Atroshenko's bank, Tyumenskii Kredit, is at the center of a criminal and political web reaching deep into the oil industry which involves, among other prominent regional figures, Yurii Shafranik, the former minister of fuel and energy (*Izvestiya*, 10 January 1997; see also *OMRI Russian Regional Report* 15 January 1997). Shafranik has been a key member of the regional elite for at least 10 years (he became one of the youngest general directors in the Soviet oil and gas industry as the head of Langepasneftegaz in the KMAO in 1987). He and Roketskii were leading lights among the group of communists who moved into top Soviet positions in the oblast in 1990 and, as ex-communists, into the post-Soviet regional administration in 1991. In 1990, they became speaker and chairman respectively of the oblast Soviet and joined the party oblast committee. After the abortive coup of August 1991, Shafranik was appointed governor and Roketskii deputy governor of the oblast. When Shafranik became minister Roketskii was appointed governor. The extent of the split between these two former colleagues is evidenced by Atroshenko's announcement at an early stage that his real aim was to win the governorship at

the next election in the year 2000 (indeed, his electoral organization is called Tyumen-2000). - Peter Glatter, lecturer at Wolverhampton University (UK)

UNIFIED REGIONAL ELITES GRAPPLE WITH SEPARATION OF POWER. At least one recent study of the regional elite shows that in many cases there is not much difference between the party of power and the opposition. Each region's most powerful leaders tend to know each other and generally work together to achieve mutual goals. (Tyumen Oblast is one of the clear exceptions.) In particular, they put up a united front to secure greater resources from Moscow. This unity has often been reflected in de facto merging of the executive and legislative branches of power at the regional level. There are numerous instances of powerful members of the executive branch who combine their duties with membership in regional legislatures. If the same people control both branches of government, naturally there can be no real oversight. Examples of such joint membership make a mockery of the idea that legislatures should formulate policy and then monitor executives who implement it. However, there are some signs of change that may ultimately place regional governments under greater popular control and stimulate the emergence of a real opposition at the regional level.

St. Petersburg First Vice Governor and Chairman of the executive branch's Finance Committee Igor Artemev announced that he had resigned his seat in the city Legislative Assembly, *Sankt-Peterburgskie vedomosti* (<http://www.dux.ru/enpp/newspapers/spbved/>) reported on 17 April. The media in the city recently have been filled with articles examining whether officials should be able to combine posts in the executive and legislative branches. In addition to Artemev, First Vice-Governor Vyacheslav Shcherbakov and Vasileostrov Raion executive Valerii Golybev are also members of the 50-member assembly. Yeltsin issued a decree in July 1995 forbidding the combination of two posts, and his representative in the city, Sergei Tsyplyaev, had put pressure on the three to resign one of their positions. In announcing his resignation, Artemev stressed that he had the right to remain in the assembly until the next elections are held but that he was resigning because his duties in the executive branch prevented him from serving as an effective legislator. Artemev's resignation is not yet official, however, because the Legislative Assembly did not have a quorum when it met on 17 April to vote on whether to accept his resignation., the *St. Petersburg Times* reported in its 21-7 April edition (<http://www.spb.su/times/index.html>).

Irkutsk Oblast is discussing similar issues as it revises its charter (*ustav*). One proposed change would forbid the oblast's mayors and raion executives from simultaneously holding a seat in the oblast Legislative Assembly, *Vostochno-Sibirskaya pravda* reported (#10, 1997) (<http://www.irk.ru/vsp/index.htm>). Other changes that would strengthen the legislature under consideration include a provision that would allow the assembly to approve the appointment of all deputy governors.

A true division of power in regional institutions that gives regional legislatures real responsibility and prevents blatant control by the executive branch could stimulate the development of a more effective opposition than currently exists. Such an opposition would not necessarily support communist positions, serving rather as a pragmatic alternative to the incumbent leadership. - Robert Orttung

IRKUTSK GOVERNOR RESIGNS. Irkutsk Governor Yurii Nozhikov announced that he was resigning 21 April. *Kommersant-Daily* on 23 April described him as one of Russia's most effective and influential governors. In recent weeks he has tried to get the federal government to pay greater attention to his oblast's needs, and even announced that his region would stop paying taxes to Moscow. Although the center did not meet his demands, Nozhikov was forced to quickly end his tax strike. Nozhikov explained his resignation by complaining that Moscow's policies were damaging the interests of regions like Irkutsk that pay more into the budget than they receive in return. His resignation is also connected to the oblast's upcoming gubernatorial elections, originally set for March 1998.

Nozhikov was elected governor for a four-year term in March 1994 with about 70% of the vote. He complained that the campaign season has already started and that it is destabilizing the political situation in the oblast. He believes that only a unified elite can solve the oblast's problems. *Kommersant-Daily* speculated that Nozhikov, who remains extremely popular, might now run again for office. The oblast's legislature will meet on 25 April to decide whether to accept the governor's resignation and, if so, to set a date for new elections. - Robert Ortung

IRKUTSK OBLAST STRENGTHENS JUDICIAL BRANCH. Irkutsk Oblast authorities are trying to strengthen the power of the regional judicial branch, but early efforts give the appearance of a conflict of interest. Last summer the governor and Legislative Assembly set up a five-member "Charter Chamber" (*ustavnaya palata*) to ensure that the oblast's charter is enforced. Currently, the chamber can only recommend action, but according to the federal constitutional law "On the judicial system" in effect since 1 January, each region within the Russian Federation has the right to create constitutional (or charter) courts whose decisions must be carried out. While such a court may be created in Irkutsk this fall, the Charter Chamber has already heard two cases, one concerning the privatization of Russia Petroleum and the other an oblast tax on the sale of alcoholic products.

The chairman of the chamber, Dmitrii Surkov, participated in the Russia Petroleum case even though just prior to joining the court he had worked as the head of Russia's legal department, *Vostochnaya sibirskaya pravda* (#10) (<http://www.irk.ru/vsp/index.htm>) reported. Surkov told the paper that he and his colleagues discussed whether he should recuse himself from the case, but no one felt that he should. In the end the chamber suggested that Deputy Governor Vladimir Yakovenko's decision to sell the state's share of stock in the company violated the law. Governor Yurii Nozhikov then ordered an end to the sale of the company's stock.

In the second case, the chamber ruled that the oblast had the right to tax the sale of alcoholic products, but the Russian Constitutional Court overturned this decision in a 21 March ruling. While noting the need to implement the higher court's decision, Surkov was highly critical of it and expressed the hope that the Duma would take his chamber's objections into account while it is debating a new tax code for the country.

Surkov sees his role as monitoring the actions of the other branches of power in Irkutsk. However, he admits that the authorities and society in general have only just begun to accept the chamber's existence, meaning that its powers remain extremely limited. - Robert Ortung

LOCAL PAPER EXAMINES ROOTS OF NAZDRATENKO-CHEREPKOV

DISPUTE. The long-running dispute between Primorskii Krai Governor Yevgenii Nazdratenko and Vladivostok Mayor Viktor Cherepkov has its roots in a clash over economic interests between the center and periphery according to Marina Loboda, writing in *Vladivostok* (<http://vl.vladnews.ru/>) on 18 April. Yeltsin appointed Nazdratenko governor of the krai in 1993 with the backing of the krai's industrial elite. Nazdratenko replaced Vladimir Kuznetsov, a "first wave democrat" who was closely tied to Yegor Gaidar's national government in Moscow. According to Loboda, as privatization began to pick up steam in Russia, the new Moscow capitalists were "striving to swallow up" regional property. Primorskii Krai's industrial titans then organized themselves, with Nazdratenko as their standard-bearer, to protect their interests against the outsiders.

Having taken power in the krai, the old enterprise directors wanted to control the powerful Vladivostok's mayor's office as well. However, their candidate, Boris Fadeev, lost the election and Cherepkov came to power with little managerial experience or backing from strong financial groups. Much of Cherepkov's campaign was based on an attack on Nazdratenko and his allies, focusing on the methods they used to gain control of property during the privatization process. Cherepkov set himself up as the defender of the public interest against the thieving industrial barons and remained outside the control of the krai's enterprise directors, further provoking their already strong antipathy. Cherepkov sought to go up against the krai's elite on his own, but was ultimately removed from power by an infamous Yeltsin decree, written at Nazdratenko's behest.

After Cherepkov was removed from office, Nazdratenko and his Far Eastern allies fell out with the Moscow leadership. In Loboda's view, the dispute was one between domestic industrialists in the regions and a "comprador bourgeoisie" in the center that wanted to profit from selling off Russia's natural resources. She believes that Nazdratenko prevented the krai's industry from suffering a fate like that of Norilsk Nickel, the Krasnoyarsk metals producer that is currently controlled by the Moscow-based Oneximbank.

Cherepkov returned to power after finding allies among the Moscow reformers, particularly former Presidential Chief of Staff Anatolii Chubais (now first deputy prime minister). However, their union is not ideological since Cherepkov originally came to power criticizing Chubais's privatization program for handing over property to Nazdratenko's allies, Loboda argues. She believes that Cherepkov will now have to serve Chubais' interests since his return to office came as a result of Chubais' orders. Accordingly, Loboda argues, despite recent attempts by Moscow to bring the two sides together, there can be no peace between Nazdratenko and Cherepkov since their battle reflects the conflict between two opposing economic interests. - Robert Orttung

ETHNIC CONFLICT AND REGIONAL SEPARATISM

CRISIS IN KHASAVYURT THREATENS TO SPLIT DAGESTAN. The recent conflict in the Dagestani town of Khasavyurt may destabilize the ethnic and political situation in the republic as a whole and ultimately lead to its partition. Khasavyurt was made famous last August as the site where former Security Council Secretary Aleksandr Lebed and his counterpart,

Aslan Maskhadov, now the Chechen president, signed a treaty formally ending the fighting in Chechnya.

On 9 April, a group of local Chechens and Kumyks, who make up the overwhelming majority of the town's population, temporarily seized the local administration building. They were protesting the election of Saigidpasha Umakhanov, an Avar by nationality, as the head of the local administration. The protesters believed that the election results were fraudulent, *Trud-7* reported on 11 April. Umakhanov received 13 out of 25 votes from the members of the local council who choose the administrator. However, several days later 14 deputies stated that they had not voted for him, according to Abdulla Khasbulatov, a member of the Dagestani parliament and the leader of a Kumyk organization. (*Nezavisimaya gazeta*, 23 April). Upon taking control of the building, the Chechens and Kumyks from Khasavyurt asked the republican leadership to repeat the election. Otherwise they threatened the Dagestani government with protest rallies and a referendum designed to give the town and neighboring area a special status. The Dagestani leadership is likely to ignore the demand. As the secretary of the republican Security Council told *Trud-7*, the elections are regarded as legitimate by the authorities and any attempts to push for new voting would be suppressed.

In the meantime, Chechen Vice President Vakha Arsanov promised that his republic would provide military help for the Dagestani Chechens and Kumyks should they be attacked by Avars. To back up this pledge, some Chechen military units were advanced to the Dagestani border. Later, a Chechen delegation visited Dagestan from Grozny to push for the cancellation of the election results.

The current conflict endangers Dagestan's integrity. The Chechens on both sides of the Chechen-Dagestani border claim that the Khasavyurt area belongs to them. Traditionally it was inhabited by Kumyks and Chechens, while Avars, the largest ethnic group in the republic, started to move into the area in the 1950s. In the 1990s, relations between Kumyks and Chechens, on one side, and Avars on the other have been deteriorating. If the referendum on Khasavyurt's status is held, there is a real possibility that the area could vote to secede from Dagestan. Such an outcome would be dangerous for the republic, since it is home to about 20 different ethnic groups and the unrest in Khasavyurt may exacerbate other conflicts. For instance, the Dagestani Lezgins may again start pushing the idea of creating an independent Lezginistan, an effort that could be supported by Lezgins living in Azerbaijan. - Anna Paretskaya in Moscow

SOCIAL ISSUES

REGIONAL HUMAN RIGHTS COMMITTEES CONCEAL ABUSES. Following a presidential decree, many Russian regional governments have set up official commissions to monitor human rights abuses on their territory. Primorskii Krai's Nazdratenko, for example, recently established such a commission bringing together journalists, trade union bosses, lawyers, writers, and spiritual leaders (*Vladivostok*, 18 April). The commission ostensibly has wide-ranging power to examine violations in the region. However, almost simultaneously, Nazdratenko moved to deprive *Kommersant-Daily's* local correspondent, Denis Demkin, of the right to enter the krai administration or дума buildings. Nazdratenko's administration

accused him of publishing false information and violating the law on the media. The paper shot back that Nazdratenko was engaging in political censorship. (At the national level, the State Duma has also evicted Russian Public Television journalists for their unfavorable coverage.)

An analysis of Orel Oblast's human rights commission by *Express-Khronika's* correspondent Emmanuil Mendelevich found that its work was merely a formality (*Express Khronika*, 18 April). At its 8 April meeting to discuss an overview of the situation in Orel during 1996, the most important members of the committee did not attend and the press was not invited. The report made at the meeting did not mention one concrete abuse of rights, but focused instead on general statistics such as birth and mortality rates and the number of suicides. The report overlooked the case of Sergei Plautin, who, according to Mendelevich, has been incarcerated since August 1996 for allegedly raping a woman and is still waiting for a trial date to be set. The commission also did not evaluate Orel Governor and Federation Council Speaker Yegor StroeV's 17 July 1996 decree ordering greater vigilance of Chechens. Mendelevich dubbed the decree "racist."

The only action the commission took was to pass on to the presidential Chamber on Information Disputes a complaint against the pro-communist newspaper *Orlovskaya iskra* for publishing an anti-Semitic article. The commission rejected, however, the complaint of journalist Yuriĭ Lebednik that the regional authorities ordered *Orlovskaya pravda* to publish material supporting Yeltsin during last year's campaign. (Committee member Vladimir Kiryukhin, an assistant to the president's representative in the region, Anatolii Mertsalov, had even published an article admitting that Mertsalov had exerted pressure on the local authorities.) In a case similar to the scandal surrounding *Kommersant-Daily* in Primorskii Krai, the commission also refused to condemn the governor's administration for forbidding correspondents from the local television program "Orelinform" from attending the governor's press conferences.

In setting up obedient human rights commissions, regional authorities seem intent on avoiding the situation Yeltsin found himself in when his own official human rights defender Sergei Kovalev began loudly denouncing the use of force in Chechnya. Yeltsin ultimately replaced Kovalev with a more compliant figure. Naturally, such commissions cannot take the place of truly independent monitors and must themselves continue to be watched to ensure that they do not block the activities of real watchdog groups. - Robert Orttung

BUSINESS BRIEFS (A weekly summary of key deals in the regions.)

-- **Philip Morris** has signed an agreement with the Leningrad Oblast administration giving it 50 hectares to build the largest tobacco factory in Russia. The project will cost approximately \$300 million and it should be finished 3-4 years after construction is planned to begin in July 1998, *Segodnya* reported on 17 April.

-- The **European Bank for Reconstruction and Development** has given a \$2.229 million credit to the **Omsk pasta factory** at a 17% interest rate to be repaid over five years. The factory has already concluded a contract with **Buler** (Switzerland) to buy equipment that will allow the firm to improve the quality of its product and market it in the CIS and other foreign countries (*Rossiiskaya Aziya*, 16 April) (<http://base.park.ru/>).

-- **Millicom International** (USA) announced that it will invest in mobile telephone networks in Kemerovo and Rostov oblasts and Udmurtiya. The company is also seeking to buy **Motorola's** share of **Saint Petersburg Telecom**, *Kommersant-Daily* reported 18 April.

-- **Dalnevostochnii Bank** will be the first in Primorskii Krai to offer its clients **Visa** credit cards, *AiF Dalinform* (#16, April 1997) (<http://vladivostok.com/AiF/>) reported. The cards require individuals and businesses to make hefty payments up front and deposit money in the bank against possible future overdrafts. Since few establishments in Russia accept credit cards, the main customers so far are sailors who can use them while in foreign ports. Within Russia, each oblast center reportedly has a bank that is authorized to work with Visa, allowing cardholders to get cash advances.

ECONOMIC ISSUES

ST. PETERSBURG FIRE INSPECTORATE THREATENS FLAGSHIP FOREIGN INVESTMENT PROJECTS. The St. Petersburg fire inspectorate is threatening to close the local Coca-Cola bottling plant and prevent the construction of new factories for Wrigley's and Gillette, the *St. Petersburg Times* (<http://www.spb.su/times/index.html>) reported in its April 21-27 edition. In the case of Coca-Cola, the inspectorate is demanding that the firm that installed the bottling plant's fire system prove that it is certified to work in Russia. The inspectorate demands the construction of a \$1 million firehouse near the new factories before it will give approval for work on them to begin. Currently the nearest fire fighting facilities are located 7 km away, while the local fire code calls for firefighters to be based within 2 kms. Coca-Cola invested \$60 million in its plant. The Wrigley plant will cost \$40 million and construction is expected to begin in two weeks. City authorities support the firms, but have little power over the fire inspectorate since it is subordinate to Anatolii Kulikov's federal Interior Ministry. Former Mayor Anatolii Sobchak told the newspaper that the inspectorate's objections were merely an attempt to solicit a bribe. Foreign direct investors across Russia have had considerable trouble meeting Russia's complicated fire regulations. - Robert Orttung

NEW FOREIGN CREDIT DEAL FOR BASHKORTOSTAN. Two oil processing plants in Bashkortostan -- Ufaneftekhim and Novo-Ufimskii -- will receive a \$190 million technical reconstruction loan from the French engineering company Technip, *Kommersant-Daily* reported on 16 April. The loan, guaranteed by the French government, is part of a \$500 million credit line to finance oil processing projects in Russia. Credits will be repaid with proceeds from the sales of the oil processing plant's products abroad. In December 1996, the Ufaneftekhim and Novo-Ufimskii plants were allowed (among several other local firms) to float additional share issues in order to repay their debts to the republic's budget. The shares had to be accepted by the local branch of the Tax Agency at face value as part of the companies' tax obligations and the procedure allowed the local government to increase its stakes in the companies' equity capital. However, there still remains a question over the plants' 500 billion ruble (\$87 million at the current exchange rate) debt to local banks.

The government of Bashkortostan is actively looking for ways of raising financial resources abroad. In November last year, it signed a 50 million Deutsche Mark credit agreement with Deutsche Bank to finance local firms' long-term foreign trade operations. Bashkortostan's authorities, however, were critical of the draft bill dividing foreign policy responsibilities between the center and the regions. Although most observers see it as giving wide authority to the region, Bashkortostan's leaders consider it too restrictive. The bill was passed by the State Duma in the first reading on 15 April (See *IEWS Russian Regional Report*, 17 April). - Natalia Gurushina

NIZHNII NOVGOROD OBLAST LAUNCHES ELECTRICAL ENERGY

EXPERIMENT. A new system of pricing electricity will be tried in Nizhnii Novgorod Oblast, *Finansovye izvestiya* reported on 17 April. The scheme envisages cutting prices for industrial users by 13% in 1997 while increasing energy prices for residential users and cutting electrical energy producers' expenditures on social support for their employees. Customers will be allowed to choose among power plants, some of which will be made independent of the Russian Unified Electoral System (EES Rossii) power grid. The decision to go ahead with the new scheme in Nizhnii Novgorod Oblast was made shortly after the federal government's meeting on restructuring EES Rossii which was chaired by former Nizhnii Novgorod Governor Boris Nemtsov, now charged with reforming Russia's natural monopolies. The electrical energy market reform is the most recent in a series of economic experiments planned and undertaken in Nizhnii Novgorod Oblast. In February 1997, the local authorities decided to abolish the institution of authorized commercial banks which have the exclusive right to service the oblast's budgetary funds in favor of competitions for handling financing for individual economic programs. The oblast is at the forefront of the housing and communal service reform. The local government is also looking for new ways of coping with pension arrears, such as crediting the amounts due directly to pensioners' bank accounts (See *OMRI Russian Regional Report*, 18 December 1996). - Natalia Gurushina

FOREIGN TIES

SIBERIAN GOVERNMENTS BEGIN POLICING MONGOLIAN BORDER. In a further sign of the collapse of the Russian state, Siberian regional governments in the Siberian Agreement regional association have taken it upon themselves to guard the Russian border with Mongolia, *Izvestiya* reported 18 April. Currently there are 36 guard posts along the 3500 km border and the Siberian regions have agreed to build another 24 guard posts and 3 command centers at their own expense. Each post will cost about 6 billion rubles in in-kind contributions. The residents of Tyva, Altai, and Buryatiya face considerable losses to thieves stealing horses, sheep, and other livestock. Russian citizens are also guilty of stealing from the Mongolians, according to the paper. - Robert Orttung

REGIONAL PROFILE: KAMCHATKA OBLAST

Governor: Vladimir Biryukov

After serving as a Yeltsin-appointed governor since November 1991, Vladimir Biryukov was elected to the post on 1 December 1996. He won 61% of the vote. The fact that the communists failed to nominate a candidate helped him win the race as did an endorsement by the local branch of Yabloko, which is traditionally strong among the oblast electorate.

Biryukov has long experience governing the oblast and its largest enterprises. During the Soviet era, he was the general director of the region's main fishing company, Kamchatpybprom, and the general director of Kamchatpishcheprom, the oblast's key food production enterprise. He also served as the chairman of the oblast's executive committee.

Other Local Leaders

Chairman of the Legislative Assembly - Mikhail Mashkovtsev (elected in April 1995) is the leader of the oblast Communist Party organization.

Brief Overview

The oblast is located in the extreme north-east of Russia. Its territory includes the Kamchatka peninsula, the neighboring part of the mainland, and the Kommandorskie Islands. It borders Magadan Oblast and the Chukotka Autonomous Okrug in the north, the Okhotsk Sea in the west, and the Barents Sea and the Pacific Ocean in the east. Two thirds of the oblast's territory are mountainous and a significant part is under permafrost.

Half of the oblast population lives in the city of Petropavlovsk-Kamchatskii, founded in 1730 by the famous explorer Vitautas Bering.

The region is rich with fur, medicinal plants, and berries, the exploitation of which, along with reindeer-breeding, make up the main occupation of the northern indigenous peoples. Key industries include fishing, which accounts for over 70% of the region's output, and forestry. These industries make up all of the oblast's export income. Kamchatka is also rich in gas, coal, and metals, though current levels of extraction are only enough to meet local needs.

The oblast hopes to attract foreign investment to improve local transportation, natural resource extraction, fish-processing plants, and tourism.

Basic Facts

1995 Population (est.): 423,600 (0.29% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 0.43%

Agricultural production as percentage of all Russian production (1994): 0.60%

Average personal income index in July 1995: 216 (Russia as a whole = 100)

Price basket index in July 1995: 177 (Russia = 100)

Average back wages owed per person (September 1995): 193,200 rubles (Russian average = 37,100)

Urban population: 80.8% (Russia overall: 73.0%)

Student population (1993): 84 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 14.53%

Percent of population with higher education (1989 census): 15.5% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 30.2% (Russian average: 29.9%); Agriculture: 6.9% (12.8%); Trade: 10.4% (9.1%); Culture: 12.7% (13.6%); Management: 3.9% (2.3%)

Number of telephones per 100 families (1993): in cities : 50.8 (Russian average: 41.5); in villages: 53 (17.2)

According to a 1995 survey by Bank Austria, the krai is ranked 85th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 34.29%/61.81% (first round/second round)

Zyuganov: 18.69%/29.47%

Yavlinskii: 17.28%

Lebed: 14.06%

Zhirinovskiy: 9.96%

Turnout: 61.41%/58.86% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Yabloko: 20.43%

Liberal Democratic Party: 16.02%

Communist Party of the Russian Federation: 11.31%

Our Home Is Russia: 7.03%

Women of Russia: 4.11%

Party of Workers' Self-Government: 3.96%

Communists -- Workers' Russia: 3.51%

In a single-member district: 1 Yabloko

Turnout: 61.44% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 68.15 "No" -- 27.80

1993 Parliamentary Election

Liberal Democratic Party of Russia: 27.16%

Yabloko: 17.61%

Russia's Choice: 15.51%

Party of Russian Unity and Concord: 8.46%

Women of Russia: 8.21%

Democratic Party of Russia: 6.40%

Communist Party of the Russian Federation: 5.05%

In a single-mandate district: 1 independent
Turnout: 44.09% (Russia overall: 54.34%)

1991 Presidential Election

Yeltsin: 60.18%
Ryzhkov: 16.48%
Zhirinovskiy: 5.31%
Makashov: 4.75%
Tuleev: 4.42%
Bakatin: 3.46%
Turnout: 72.77% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections]*, Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown]*, Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995]*, Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii [Governors of Russia]*, Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.
Compiled by Anna Paretskaya

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TABLE OF CONTENTS

Special Report from BASEES Conference

Russian Regions: The Priority of the Political

Center-Periphery Relations

Duma Examines Bill on Power-Sharing Treaties

Urals Governors Back Monopolies Against Federal Attack

Federation Council Head Implicated In Ownership Battle

Patterns of Regional Development

Legislature Confirms Nozhikov's Resignation

St. Petersburg Pork Barrel

Burglars Rob Marii-El President

Tatarstan's Speaker Warns Against Attempts to Remove Him

Ethnic Conflict and Regional Separatism

Dagestani Elections Pronounced Legitimate

Social Issues

New Report on Public Burning of Couple in Dagestan

Sakhalin Population Shrinks

Economic Issues

Western Investors Threaten to Close Giant Kareliyan Pulp Mill

Money for St. Petersburg Dam Disappears

Business Briefs

A Weekly Summary of Key Deals in the Regions

Foreign Ties

German Consul: Investment in Novosibirsk Stagnating

Far East Stock Exchange Opens Office in Hong Kong

Far Eastern Regions Seek Greater Integration with Asia

Sakha Tightens Rules for Foreign Visitors

SPECIAL REPORT FROM BASEES CONFERENCE

RUSSIAN REGIONS: THE PRIORITY OF THE POLITICAL. Several of the panels at the annual conference of the British Association for Slavic and East European Studies, held in Cambridge from 12-14 April 1997, addressed Russian regional topics. A common theme which emerged was the importance of studying local political conditions. For all the importance of politics, however, there was little evidence of a robust civil society taking root in Russia. Democratization from below seems to have been stillborn, and democratization from above is setting the agenda -- although different regions react in different ways.

Vladimir Mau, from the Russian government's Working Center for Economic Reform, presented an analysis of the influence of economic factors on political support for President Yeltsin in different regions. It proved very difficult to find evidence showing that pork-barrel politics is a good way of winning votes in Russia. Matthew Wyman (Keele University) also noted that regression analysis shows economic variables accounting for only one quarter to one third of the variance in electoral behavior. Mau concluded that political factors in each region played an independent role. How else is one to explain that regions with high unemployment tended to be pro-Yeltsin in the 1996 election, although those with high levels of wage arrears tended to be anti-Yeltsin? (Adding to the confusion, efforts to pay off arrears in the first half of the year did not noticeably improve Yeltsin's rating in the high debt regions.)

Thus, regions experiencing economic hardship in the transition to the market react in different ways -- some for Yeltsin, some for Zyuganov -- depending on factors such as the political connections of their regional leadership, the age structure of the population, their view of possible future economic development, and so forth. Local political developments can cause similar-looking regions to break in different directions.

Mau found that over the past few years there was a high negative correlation between budget transfers and support for Yeltsin in different oblasts, meaning that those regions which received the largest subsidies from Moscow were, paradoxically, those least likely to support Yeltsin. (This relationship held in the Russian oblasts but not in the ethnic republics). U.S. scholar Dan Treisman explains this by arguing that Moscow has pursued a conscious policy of appeasing potentially separatist regions.

Ruth Brown (Oxford University) investigated the process of grass-roots party formation in Astrakhan, Samara, and Chelyabinsk in 1989-91. She found that local democratic parties were active and influential in election campaigns in 1989-90, in terms of establishing a presence and getting their candidates onto local councils. She conceded that the democratic parties tended to lose influence after 1991. Political alliances and outcomes took a different path in each of the three regions, a trend which underlines the importance of specifically local political circumstances.

Robert Ferguson (Warwick) reported on his fieldwork in the Kuzbass coal mining region (Kemerovo Oblast). Observers frequently point out that the miners who were at the forefront of the democratic movement in 1989 ended up as a bastion of Communist support in 1995. However, Ferguson noted the special impact of the local charismatic politician Aman

Tuleev, who drew votes away from Yeltsin in 1991. Ferguson also argued that in several key Kuzbass cities the vote for Yeltsin held up well, even through 1996.

Thanks to funding from the European Union's TACIS program and from the Economic and Social Research Council, several U.K. universities have been developing intensive research programs in specific regions, including those at Birmingham (the Far East); Warwick (Kemerovo), and Wolverhampton (Tyumen). - Peter Rutland

CENTER-PERIPHERY RELATIONS

DUMA EXAMINES BILL ON POWER-SHARING TREATIES. The State Duma passed a bill on power-sharing treaties between the central government and regional authorities that could jeopardize the consensus federal and regional elites have reached, *Kommersant-Daily* reported on 26 April. The majority of politicians in Moscow and beyond believe that such a law is necessary and, if it is drawn up properly, could stabilize relations between the center and periphery. In its present form, however, the law may create more problems than it solves.

The bill stipulates that all 26 power-sharing treaties which have been signed to date have to be brought into agreement with federal law within six months. It also requires the Duma to pass separate laws on each of these treaties. If adopted, the bill would strictly circumscribe the subjects such treaties could regulate.

Vladimir Lysenko, a member of the Duma committee on federation affairs and regional policy who helped draft the bill, declared that the draft law will assert the supremacy of the constitution over the chaotic practice of signing separate treaties with each of Russia's 89 republics and regions. He believes that such treaties, with their secret clauses and unequal distribution of rights and responsibilities, endanger the integrity of the country (*RIA-Novosti Regional Bulletin*, no. 16). However, efforts to pass a law requiring the enforcement of existing laws simply show that the federal government has little control over what is actually happening in the regions and is desperately scrambling to impose its policies on unwilling subjects.

Though many regional leaders, including Federation Council Chairman Yegor Stroeve, frown on Moscow's practice of making separate deals with federation subjects, the parliament's upper house is likely to reject the bill. At the very least, the leaders of those regions which have signed advantageous treaties, including the influential presidents of Tatarstan and Bashkortostan, Mintimer Shaimiev and Murtaza Rakhimov, will do their best to make sure that the bill is defeated.

President Boris Yeltsin is also likely to veto the bill, the president's representative in the Duma, Aleksandr Kotenkov, declared. Although regional legislation often contradicts federal laws, in many cases, federal authorities are content to look the other way for the sake of political and economic expediency. Kotenkov told *Kommersant-Daily* that the bill actually abolishes the previously signed treaties and gives the Duma the exclusive right to determine the competence of regional state institutions. Yeltsin clearly does not want to hand this power to the legislature. Besides, the president's team argues, the Duma is unlikely to pass 26 laws approving the existing power sharing treaties in the near future, effectively nullifying the current treaties for an indeterminate period. - Anna Paretskaya in Moscow

URALS GOVERNORS BACK MONOPOLIES AGAINST FEDERAL ATTACK.

Leaders of the oblasts and republics in the Urals region reject the federal government's plan to restructure the country's natural monopolies, according to *Obshchaya gazeta* (no. 16). Under First Deputy Prime Minister Boris Nemtsov's leadership, the government is now targeting Gazprom, Unified Electrical System, the country's major energy supplier, and the railroads. The Urals leaders called on the government not to break up the energy system in particular, claiming that its dismemberment would infringe on the regions' interests and harm the energy industry in general. Additionally, they fear that transnational corporations may take over, threatening the security of the industry and the country in general.

The newspaper's analyst Lev Sigal notes that the position of the Urals region leaders is typical for Russian regional leaders in general and that they are now filling a vacuum ordinarily occupied by trade unions and social-democratic parties. These organizations either do not exist or have very weak positions in Russia. The governors have begun to play this role because they are responsible for social security in their regions. However, Sigal suggests that since the majority of regional leaders still depend on the central government financially, they will be forced to abandon their opposition to Moscow's policies and comply with any decisions the government makes. - Anna Paretskaya in Moscow

FEDERATION COUNCIL HEAD IMPLICATED IN OWNERSHIP BATTLE. Yegor Stroev, the head of the upper house of parliament, has lobbied President Yeltsin in order to help a company run by one of his economic aides win control of a profitable fertilizer plant in Kirov Oblast, *Rossiiskie vesti* reported on 28 April. Stroev wrote Yeltsin in October 1996 asking that the Akron Company in Novgorod be given the right to manage the state-owned shares in the Kirovo-Chepetsk Chemical Combine. Akron is reportedly controlled by Stroev adviser Vyacheslav Kantor, who was earlier able to buy the 5,000-man fertilizer plant in Novgorod at a bargain price. The 14,000-man Kirovo-Chepetsk plant is owned by the Ministry of Atomic Energy, since besides producing fertilizer it is also the sole supplier of fluoropolymers, used in the military industry. The Akron and Kirov plants are direct competitors in the fertilizer business and if Akron gained control of the Novgorod plant there are fears that prices would be artificially raised. On 14 March 1997, the State Privatization Committee (GKI) decided that responsibility for managing the federally-owned block of shares should be given back to the Atomic Energy Ministry. - Peter Rutland

PATTERNS OF REGIONAL DEVELOPMENT

LEGISLATURE CONFIRMS NOZHNIKOV'S RESIGNATION. The Irkutsk Legislative Assembly confirmed Governor Yurii Nozhikov's resignation on 25 April and set new gubernatorial elections in the oblast for 27 July. Nozhikov will continue to serve as governor until the new elections are held, *Sovetskaya molodezh* (Irkutsk) reported 26 April (<http://www.irk.ru/sm/index.htm>). The deputies also reduced the requirement a successful candidate must meet for election. Previously, the winner had to collect more than 50% of the votes with turnout greater than 50%, now both indicators are set at 25%. The elections are expected to cost 17 billion rubles.

During his speech to the legislature, Nozhikov told the deputies flat out that he would not run for re-election. He described his main motive for resigning as moving up the election date, originally set for March 1998, warning that the Communist Party of the Russian Federation was prepared to spend huge amounts of money to win the campaign, an eventuality he claimed he would not allow. He asserted that the communists would be successful if they had eleven months to stump for their candidate, but could not capture the governor's office if the vote were held within three months. Several of the region's largest enterprises are closed and wage and pension arrears are increasing, two trends which are raising fears that Nozhikov's current popularity might drop. Some accounts suggest that Nozhikov will soon remove First Deputy Governor Dmitrii Yakovenko and replace him with Irkutsk Mayor Boris Govorin, setting him up as his successor. Sources in Our Home is Russia (NDR), however, told *Nezavisimaya gazeta* (23 April) that Vladimir Matchenko, the newly appointed vice governor for social policy and the head of NDR's local executive committee was the most likely successor.

Despite his protests to the contrary, speculation in the oblast remains high that Nozhikov will soon announce a bid to hold onto his seat. The newspaper *Segodnya*, for example, pointed out that the deputies had to change the oblast's charter to allow Nozhikov to remain in office, a position that should have gone to First Deputy Governor Yakovenko. According to this interpretation, Nozhikov resigned fearing that the social conditions in the oblast were about to get worse, especially after First Deputy Prime Minister Anatolii Chubais had just warned the Federation Council that the country faced a budget crisis. Assuming that the electorate is not put off by his maneuvering, the currently popular Nozhikov would presumably increase his chances of returning to office if the elections are held sooner rather than later.

The federal authorities have yet to make a statement on the resignation and its consequences. However, *Nezavisimaya gazeta*, quoting sources in NDR, reported that Prime Minister Viktor Chernomyrdin was "seriously distressed" by Nozhikov's move, since Nozhikov had been a loyal supporter, even though his name was not on a list of the NDR's leadership. (For a list of the regional members of NDR, see *Dom i Otechestvo*, the NDR's supplement to *Rossiiskaya gazeta*, 26 April - 4 May) - Robert Orttung

ST. PETERSBURG PORK BARREL. Last week a city court in St. Petersburg ruled illegal the practice whereby deputies to the city legislature have been allowed to distribute their own share of the council's "reserve fund" as they saw fit, ORT reported on 27 April. The 49 deputies each received a 4 billion ruble (\$700,000) share of the 200 billion ruble reserve fund, which they used to fund a variety of projects, from church restoration to subsidies for district publications. The allocation of funds was published in the local press, but much of the spending went to unknown destinations, including commercial firms. First Deputy Chairman of the city legislature Sergei Mironov, who had drafted the initial law on the reserve fund, said it was up to the voters to judge the actions of their deputies. According to a recent Institute of Sociology poll, only 13% of St. Petersburg residents have a positive view of the work of their representatives. - Peter Rutland

BURGLARS ROB MARI-EL PRESIDENT. Thieves broke into the second floor of newly-elected Marii-El President Vyacheslav Kislitsyn's dacha and made off with many of his possessions. Someone also attempted to break into his daughter's apartment in Ioshkar-Ola, but was thwarted by an alarm system. According to the local Ministry of Internal Affairs, the attacks were attempts by Kislitsyn's opponents to put pressure on him after he introduced a number of measures to reduce crime in the republic, *Izvestiya* reported on 24 April. The measures have had little visible result so far, limited only to the sacking of a few corrupt officials using state money for their personal purposes. When *Izvestiya* correspondent Boris Bronshtein visited Marii-El's Minister of Internal Affairs, Vasili Grigorev, he received no evidence of a politically-motivated attack on the republican president. However, he did point out that Grigorev had managed, since taking office in the fall, to remodel his office with expensive new furnishings. - Robert Ortung

TATARSTAN'S SPEAKER WARNS AGAINST ATTEMPTS TO REMOVE HIM. The speaker of Tatarstan's legislature, Vasili Likhachev, who also serves as deputy chairman of the Federation Council, believes that some members of the president's administration and the government are working to push him out of office, *Izvestiya* reported on 29 April. In a statement to the media 28 April, he described these plans as an attack even on Tatarstan's president, Mintimer Shaimiev. Likhachev warned that "at least one ethnic Russian should occupy one of the highest posts in Tatarstan if we want to preserve a centrist position, stability, and security." Tatar Prime Minister Farid Mukhametshin described Likhachev's concerns as groundless, while Shaimiev has yet to react. - Robert Ortung

ETHNIC CONFLICT AND REGIONAL SEPARATISM

DAGESTANI ELECTIONS PRONOUNCED LEGITIMATE. The Dagestani Supreme Court declared the 6 April Khasavyurt city elections legitimate and ruled out any repetition of the voting during its 24-25 April session, *Nezavisimaya gazeta* reported. Some local inhabitants, mostly Chechens and Kumyks, were dissatisfied with the election of Saigidpasha Ukhmanov, an ethnic Avar, as the head of the local administration. They actively protested against the results, claiming that they were forged, and demanded a new election (see *IEWS Russian Regional Report*, 24 April 1997). Despite these protests, the city court, the republican electoral commission, and a special republican parliamentary commission have not found any irregularities, according to a spokesman for the republican parliament. Many in Dagestan say that though the Kumyk, Chechen, and Avar communities are almost equal in number in the town of Khasavyurt, the Avars make up a majority in the Khasavyurt district in general. - Anna Paretskaya in Moscow

SOCIAL ISSUES

NEW REPORT CLARIFIES SITUATION SURROUNDING PUBLIC BURNING OF COUPLE IN DAGESTAN. Several stories have appeared recently in the Russian press about a 4 March incident in which a crowd of people in the Dagestani village of Buinaksk

apparently publicly burned Khadzhi-Murat and Tatyana Gadzhiev on suspicion of murdering a 12-year-old girl and selling her internal organs (*OMRI Daily Digest*, 12 March 1997). *Ekpress-Khronika* on 25 April published an article by Yakov Krotov that sheds more light on the events surrounding the public execution. Investigators only found the girl's skeleton in the forest, leading them to believe that she had been attacked by a wild beast which ate her. Even though the girl's relatives knew of the strong evidence that she had been killed by an animal, they continued to believe that a human was at fault. One of the girl's relatives, a former policeman, illegally received the list of suspects the police were pursuing following the girl's disappearance and the relatives began to seek the "murderer" among its members. The relatives focused on Gadzhiev because he and his wife were Seventh Day Adventists and he had a criminal record. The family captured the couple, brought them to the courtyard of the girl's family's house, and there a group of about 40 relatives tortured and killed the couple. By the time the larger crowd gathered, the couple was already dead. Their burned bodies were only "found" an hour after the crowd had dispersed. According to Krotov, the Gadzhievs' murderers burned the couple to hide the crime of one family behind a crime supposedly committed by a crowd of 5,000 people. After all, it would be impossible to prosecute 5,000 people for the murder of the Gadzhievs.

Krotov argues that according to tapes of the speeches made to the crowd, there was no hysteria, but rather a cold-blooded attempt to stir up hysteria. He asserts that the local police were complicit in the cover-up. Krotov also accuses those in Dagestan and the rest of Russia who accept the idea that the crowd killed the victims and that prosecution in this case is impossible of creating conditions that would allow such an act to be repeated. - Robert Orttung

SAKHALIN POPULATION SHRINKS. The population of Sakhalin Oblast shrank from 719,200 in 1992 to 631,800 at the beginning of this year, a drop of 12%. The vast majority of the people leaving are from urban areas and are among the most highly skilled in the population. Rural residents who would like to live in a warmer climate simply don't have the resources to move. The reason for the mass exodus is the central and regional government's inability to create conditions that would allow the residents to utilize the oblast's vast natural resources, according to I. Andreev, the director of the Sakhalin Migration Service, *Sovetskii Sakhalin*, no. 21-25 (<http://vladivostok.com/sovsakhalin/index.htm>) reported. The indecision about how to develop the oil fields on the island's shelf, including ideological debates about whether to work with foreigners, have played a major role. To make matters worse for those remaining, average life expectancy in the oblast has dropped from 68.3 years to 55.3 years.

Despite the drop in the local population, the oblast is attracting large numbers of citizens from the CIS and other foreign countries. The numbers are impossible to describe because of the lack of manpower on the borders. Andreev believes the influx of crime, particularly the drug trade, is a much greater problem than workers coming in to take up jobs. He is also concerned about the large number of religious missionaries and the growing number of cults in the area. - Robert Orttung

ECONOMIC ISSUES

WESTERN INVESTORS THREATEN TO CLOSE GIANT KARELIYAN PULP MILL. Last June the Western investment firm Stratton Paper and the Swedish Assi-Doman group announced a plan to invest \$100 million over the next two years in the Kareliyan pulp giant Segezhabumprom. (*Segodnya*, 22 June 1996). This, the largest pulp and paper investment project in Europe, would raise the firm's capacity to one billion cardboard boxes a year (while in 1996 it produced just 100,000).

Stratton Paper took a 58% share in Segezhabumprom (another 20% is owned by the Kareliyan government). Assi-Doman later bought 50% of Stratton Paper when the latter realized that they needed the Swedish firm's manufacturing and marketing expertise in order to develop their investments in the Russian pulp and paper industry.

The deal soon turned sour, however. In March 1997 Assi-Doman stopped production at the plant and announced their intention to close it down, complaining that the Kareliyan authorities were refusing to carry out their promise to take responsibility for the plant's social infrastructure (housing, etc.) and tax and pension debts which total 80 billion rubles (\$14 million) (*Segodnya*, 12 March, *Finansovye izvestiya*, 1 April, and *OMRI Russian Regional Report*, 27 March 1997). Efforts to raise a \$150 million loan from the EBRD and the International Finance Corporation (a World Bank affiliate) failed. "For the past month, Kareliya's head of government, Viktor Stepanov, has been running through the top Moscow offices" asking for help. (*Kommersant Daily*, 25 April). The Swedish managers of the plant managed to arrange a personal meeting with First Deputy Prime Minister Anatolii Chubais on 23 April, at which he promised to set up a commission in order to look into a possible waiver of Kareliya's debts to the federal government. - Peter Rutland

MONEY FOR ST. PETERSBURG DAM DISAPPEARS. The federal government has provided 16.3 billion rubles (\$2.9 million) for construction of the St. Petersburg dam, but the project is not moving forward. Lenmorzashchita has used half of the money to pay off debts incurred in 1996. The rest of the money went to Lengidroenergospetsstroi, which also received an advance of 25.5 billion rubles at the beginning of the year. The problem is that in 1995, former Mayor Anatolii Sobchak signed a deal giving Lengidroenergospetsstroi exclusive rights to construct the dam and now the city has no leverage over it, *Sankt-Peterburskie vesti* reported on 23 April (<http://www.dux.ru/enpp/newspapers/spbved/>). As a result of the inactivity, the work that was completed is now falling apart. The dam has long been a target for environmentalists who are concerned that it is destroying the area's ecology, but the city authorities believe it is necessary to prevent another disastrous flood. - Robert Orttung

BUSINESS BRIEFS

-- The head of the Ak Bars bank, the largest in Tatarstan, has been removed and replaced by the 37-year-old Rinat Gubaidullin, the former first deputy finance minister of the republic (*Kommersant Daily*, 25 April). The bank's handling of securities issued by the Tatar government was riddled with inefficiency and corruption and ultimately led to the personnel change.

-- The NefAZ auto plant in Neftekamsk, Bashkortostan, won legal independence from the KamAZ auto giant in Tatarstan in 1993, and began assembling Mercedes buses with parts imported from Mercedes' Turkish subsidiary. The deal with the Turkish company broke down in 1996, and NefAZ has now signed a deal with the Golytsin factory in Moscow Oblast to provide parts for the Mercedes buses which it assembles. The two plants hope to assemble 1,500 buses next year.

-- Samara's AvtoVAZ Chairman Vladimir Kadannikov announced that the board of directors had confirmed a plan to assemble 30,000 to 50,000 Opel automobiles at factories in Vybor and Svetorgorsk. Kadannikov said that Opel's board plans to approve the venture. The second phase of cooperation between the firms includes building 250,000 Opels adapted to Russian driving conditions and 375,000 engines at AvtoVAZ's Togliatti plant, *Kommersant-Daily* reported on 26 April.

-- Dresdener Bank AG (Germany) has agreed to provide a loan of 250 million DM to the Russian Federal Foundation to Support Small Business. The loan is for a period of five years with a 8.5% interest rate. Foundation General Manager Yurii Pimoshenko noted that the loan is three times larger than funds allotted for the development of small business by the 1997 Russian budget (*Izvestiya*, 25 April 1997)

FOREIGN TIES

GERMAN CONSUL: INVESTMENT IN NOVOSIBIRSK STAGNATING. German Consul in Novosibirsk Stephan Kordash charged that foreign economic ties between Germany and Novosibirsk were stagnating, laying much of the blame on Novosibirsk. Kordash, who has served in the city for more than two years and is set to leave this year, said that the main obstacle for German investors is the constant changes in federal and regional legislation, *Novaya sibir* reported on 17 April (<http://plato.sr.unh.edu/siberia/>). Compared to opportunities in other countries, he said, Russia often is not competitive. He also noted that Novosibirsk compares unfavorably with Krasnoyarsk, because Novosibirsk's residents overestimate the attractiveness of their city merely because it is the "capital" of Siberia. - Robert Orttung

FAR EAST STOCK EXCHANGE OPENS OFFICE IN HONG KONG. The Vladivostok Stock Exchange has opened an office in the Hong Kong Trade and Exhibition Center, *Vladivostok* (<http://vl.vladnews.ru/>) reported on 24 April. Briton Peter Gordon, president of the Image Alpha consulting company, will head the office. The representation will work to publicize information about Vladivostok stocks among foreign investors. Tiger Securities' Sergei Pavlenko, however, suggested that a more effective strategy would be to list the Vladivostok stocks on the Hong Kong Stock Exchange. This step would require paying fees of approximately \$1.5 million and making the companies' financial information available to investors. The Vladivostok Stock Exchange is also considering opening an office in Taiwan. - Robert Orttung

FAR EASTERN REGIONS SEEK GREATER INTEGRATION WITH ASIA.

Members of the Far East and Baikal regional economic association, meeting in the Jewish Autonomous Oblast's capital Birobidzhan, have agreed that they should cooperate more closely with the countries of the Asian-Pacific Region (APR), *Segodnya* reported on 25 April. The Far Eastern regions hope to export machinery and raw materials to the APR countries, as well as offer them the opportunity to participate in joint ventures to extract the area's mineral resources. The association members also agreed on the need to coordinate their efforts to attract foreign investors to the Russian Far East.

Under the leadership of Khabarovsk Krai Governor Viktor Ishaev, the association includes the republics of Buryatiya and Sakha (Yakutiya), Primorskii and Khabarovsk krais, Amur, Kamchatka, Magadan, Chita, and Sakhalin oblasts, the Jewish Autonomous Oblast, and the Koryak and Chukotka autonomous okrugs. Many of these regions are rich in natural resources: diamonds in Sakha, oil in Sakhalin, fish in Kamchatka, and timber in Khabarovsk. - Anna Paretskaya in Moscow

SAKHA TIGHTENS RULES FOR FOREIGN VISITORS. Sakha (Yakutiya) President Mikhail Nikolaev has signed a decree strictly regulating the activities of foreigners in the republic, *Segodnya* reported on 26 April. The decree stipulates that all foreigners coming to Sakha must first receive permission from local authorities and the republican interior ministry. They also must prove that they are able to cover their living expenses while in the republic. Additionally, the decree requires local businessmen who employ foreign labor at their enterprises to provide evidence that they will arrange accommodation for their guest workers and that the workers will leave the republic on the date stated in their contract or invitation. The spokesman for Sakha's interior ministry also announced that the ministry may soon start an operation aimed at deporting foreigners illegally staying in the republic. Meanwhile, activists from the republican Communist Party claim that the presidential decree violates the Russian constitution and plan to ask the Constitutional Court to look into it. - Anna Paretskaya in Moscow

REGIONAL PROFILE: CHITA OBLAST

Governor: Ravil Geniatulin

After serving nine months as the presidentially-appointed governor, Ravil Geniatulin was elected to the position in October 1996. He secured 31% of the vote, while his closest rival, a non-partisan candidate, received 23%. Though the oblast is traditionally an opposition stronghold, Geniatulin defeated candidates from both the Communist and Liberal Democratic parties by a large margin.

During the Soviet era, Geniatulin was a typical party functionary. He started as a worker, then graduated from the Chita Pedagogical Institute and taught there for several years. After that, he moved on to party work, rising from leadership positions in the city Komsomol and Communist Party organizations to become the head of the city executive committee

(*ispolkom*). In the 1990s, he was elected Chita's mayor and held that office until Yeltsin appointed him to the governorship.

Other Local Leaders

Chairman of the Duma -- Vitalii Vishnyakov, elected in October 1996.

Brief Overview

The territory that makes up today's Chita Oblast was first explored by Cossacks led by Petr Beketov in 1653. People began to move into and develop the area in order to strengthen Russia's border with China and Mongolia, extract mineral resources, and build the Transsiberian railroad. In 1920, Chita became the capital of the Far East Republic, which merged with the Russian Federation in November 1922, a month before the Soviet Union was constituted. This south-east Siberian oblast has extensive international borders with China (998 km) and Mongolia (868 km) and internal borders with Irkutsk and Amur oblasts, and the republics of Buryatiya and Sakha (Yakutiya).

The 431,500 sq. km oblast is rich in ferrous, non-ferrous, rare, and precious metals, coal, charcoal, and mineral waters. Forests cover about 60% of its territory. As a result, the oblast's main industries are metallurgy, fuel, and timber. It also has advanced light and food industries. Local agriculture focuses on cattle, sheep, and reindeer breeding.

Thirteen regional banks and 7 branches of other regions' banks operate in the oblast. Chita's more than one hundred joint ventures concentrate on consumer goods production, catering, and trade. China, Hong Kong, South Korea, Austria, Japan, and the United States are the oblast's major foreign trade partners. Foreign investors are currently being sought to develop new mining enterprises.

Basic Facts

1995 Population (est.): 1,299,600 (0.88% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 0.29%

Agricultural production as percentage of all Russian production (1994): 0.78%

Average personal income index in July 1995: 78 (Russia as a whole = 100)

Price basket index in July 1995: 133 (Russia = 100)

Average back wages owed per person (September 1995): 120,000 rubles (Russian average = 37,100)

Urban population: 63.1% (Russia overall: 73.0%)

Student population (1993): 83 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 18.25%

Percent of population with higher education (1989 census): 10.3% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 20.0% (Russian average: 29.9%);

Agriculture: 17.0% (12.8%); Trade: 9.5% (9.1%); Culture: 13.5% (13.6%); Management: 3.3% (2.3%)

Number of telephones per 100 families (1993): in cities :20.8 (Russian average: 41.5); in villages: 14.8 (17.2)

According to a 1995 survey by Bank Austria, the krai is ranked 70th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 24.54%/40.89% (first round/second round)

Zyuganov: 39.12%/52.50%

Lebed: 11.70%

Yavlinskii: 5.49%

Zhirinovskiy: 12.95%

Turnout: 64.36%/62.01% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 21.56%

Liberal Democratic Party: 20.59%

Communists -- Workers' Russia: 8.29%

Agrarian Party of Russia: 6.10%

Women of Russia: 5.76%

Our Home Is Russia: 4.25%

Party of Workers' Self-Government: 4.14%

In single-member districts: 1 Agrarian Party of Russia, 1 independent

Turnout: 64.02% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 54.84% "No" -- 41.70%

1993 Parliamentary Election

Liberal Democratic Party of Russia: 30.49%

Communist Party of the Russian Federation: 11.54%

Russia's Choice: 10.92%

Women of Russia: 9.96%

Agrarian Party of Russia: 8.40%

Democratic Party of Russia: 7.61%

Party of Russian Unity and Concord: 6.72%

Yabloko: 4.50%

In single-member districts: 1 New Regional Policy, 1 12 December Union

Turnout: 49.33% (Russia overall: 54.34%)

1991 Presidential Election

Yeltsin: 36.56%

Ryzhkov: 31.53%
Zhirinovskiy: 10.65%
Tuleev: 6.57%
Makashov: 4.91%
Bakatin: 4.40%
Turnout: 75.28% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections]*, Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown]*, Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995]*, Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii [Governors of Russia]*, Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.
Compiled by Anna Paretskaya

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TABLE OF CONTENTS

Center-Periphery Relations

Governors Prefer "Party of Power" to Opposition

Subsidies for Regions Become New Business

Oleg Sysuev: The Other Provincial Leader in Russia's Government

Ethnic Conflict and Regional Separatism

Karachaevo-Cherkesiya President Postpones Election

Khasavyurt Local Deputies Quit *En Masse*

Patterns of Regional Development

Lebed's Khakasiyan Government Fights with Sayanogorsk

Kuzbass City Seeks Change in Status

Perm Elites

Altai Newspaper Under Pressure from Legislature

Social Issues

World Bank Environmental Loan Criticized

Business Briefs

A Weekly Summary of Key Deals in the Regions

Economic Issues

Competition Heats Up in Bashkortostan's Banking Sector

Car Manufacturers Start Production in the Regions

St. Petersburg Tackles Debt Problem

Combine Harvester Giant Faces Restructuring

Sakhalin Project Still on Hold

Foreign Ties

Regional Discussion of Belarus Treaty

Samara Attracts Foreign Interest

Regional Profile: Jewish Autonomous Oblast

Russian Regional Report--8 May 1997

Page 1

CENTER-PERIPHERY RELATIONS

GOVERNORS PREFER "PARTY OF POWER" TO OPPOSITION. Communist Party (KPRF) leaders have repeatedly claimed that communist representation in the Federation Council, the federal parliament's upper house, rose dramatically after last year's gubernatorial elections. Despite these assurances, however, it is becoming clear that only a handful of regional governors remain faithful to the opposition, while the others back the "party of power," namely, Prime Minister Viktor Chernomyrdin's Our Home Is Russia (NDR) movement. Even those governors who do not hide their preference for the KPRF prefer to maintain good relations with the government and the presidential administration. Regional leaders who wish to be on good terms with both parties faced a tough choice on the second week-end of April: both the KPRF and NDR convened for their annual congresses.

While several dozen regional executives and other regional politicians attended the NDR congress, only nine governors turned out for the KPRF meeting. Moreover, six of those present -- Yuriy Lodkin (Bryansk Oblast), Nikolai Vinogradov (Vladimir Oblast), Aleksandr Chernogorov (Stavropol Krai), Nikolai Maksyuta (Volgograd Oblast), Anatolii Belonogov (Amur Oblast), and the recently-elected Vasiliy Starodubtsev (Tula Oblast) -- informed the presidential administration about their intention to attend the opposition congress. They also urged the administration not to take their affiliation with the opposition too seriously, according to *Moskovskie novosti* no. 18. The other three governors, Aleksandr Rutskoii of Kursk Oblast, Ivan Shabanov of Voronezh Oblast, and Anatolii Kovlyagin of Krasnoyarsk Krai, who will likely seek reelection when his term of office expires next April, showed up at the KPRF convocation without contacting the administration.

Even the most devoted Communist Party supporters among the regional leaders do not wish to irritate the central authorities because the presidential administration has become an important source of information for the governors, according to *Moskovskie novosti's* Anna Ostapchuk. The administration can tell the regional leaders whether and when a presidential or governmental decree important for their respective region will be signed. The administration also decides which governors are granted a presidential audience. Additionally, the presidential administration may also help them find investors and business partners. In return, the governors are expected to express loyalty.

Many of them choose to join the pro-governmental NDR movement and actively participate in it. At the movement's latest congress, over 70 regional politicians were elected to the NDR's Political Council, making up over 40% of the council's membership (the list was published by *Dom i Otechestvo* in its 26 April-4 May issue). Among them are 39 regional governors and republican presidents and prime ministers, 18 members of regional and republican governments, 8 regional representatives of the president, 4 city mayors, and two regional legislative chairmen. Six regional executives -- Dmitrii Ayatskov (Saratov Oblast), Akhsarbek Galazov (North Osetiya), Gennadii Igumnov (Perm Oblast), Mikhail Prusak (Novgorod Oblast), Vladimir Chub (Rostov Oblast), and Konstantin Titov (Samara Oblast) -- were elected to the 20-member Presidium of the NDR's Council. Titov is also a deputy to Chernomyrdin within NDR.

The attraction between the NDR and the regional leaders is mutual since the movement is eager to reinforce its presence in the regions. The government also seeks economic gain from its relations with the governors, according to *Nezavisimaya gazeta* correspondent Sergei Mulin on 6 May. NDR brings together regional leaders with representatives of the financial and industrial elite, including Gazprom chairman Rem Vyakhirev, chairman of the major energy supplier RAO "Unified Energy System Rossii" Anatolii Dyakov, LUKOil President Vagit Alekperov, and president of the GAZ automobile works, Nikolai Pugin, who control a large part of the country's wealth. Through such meetings, the government hopes to secure the governor's support for the natural monopolies, whether they are reformed or not, and protection for other domestic producers in exchange for financial aid to the regions. - Anna Paretskaya in Moscow

SUBSIDIES FOR REGIONS BECOME NEW BUSINESS. Though subsidies to regions are earmarked in the budget, it is difficult to actually obtain the money, several governors told *Obshchaya gazeta* (no. 17) correspondent Lev Sigal. Ninety percent of the Federation Council members, polled anonymously, admitted that central authorities use transfers to pressure regional leaders. For instance, First Deputy Prime Minister Boris Nemtsov recently announced that only those regions which carry out housing reform (effectively raising the prices people have to pay for their apartments and municipal services) will receive money from the federal budget. Since 90% of Russia's federation subjects depend on federal aid, their leaders take Nemtsov's statement as a threat and will have to abide by the center's order even though it will certainly decrease their popularity among local constituencies.

However, even if the government authorizes a grant to a region, there is no legal way to access the funds. Usually, the amount of money allocated to the regions exceeds the amount of actual money at the government's disposal and governors have to bribe the official responsible for issuing subsidies to be among those regions that receive rubles. Mediating between governors and bureaucrats has become a new business.

Analysts say that there are hundreds of "consulting companies" and thousands of individuals in Moscow who specialize in this work. These mediators generally used to work in the Finance Ministry and have good relations with the administrators responsible for processing regional subsidies. Their job is to give bribes to ministry officials, and normally they charge 5-10% of the sum of the transfer as their commission.

Many governors claim that they are forced to employ these mediators. If they officially ask a bank to help obtain their region's subsidies, they will have to pay more. Recently, ONEKSIMbank, authorized by the government to give Tyumen Oblast a 100 billion ruble transfer, gave the oblast governor a money substitute instead and asked for a 25% fee to cash it. - Anna Paretskaya in Moscow

OLEG SYSUEV: THE OTHER PROVINCIAL LEADER IN RUSSIA'S GOVERNMENT. Oleg Sysuev, the former mayor of Samara, joined the Russian government as deputy prime minister shortly after former Nizhnii Novgorod Governor Boris Nemtsov became first deputy prime minister. While Nemtsov is focusing on reforming the country's monopolies and housing, Sysuev is working to cover the government's wage and pension

arrears, protect the poorest members of Russia's population, and reform the healthcare system, among a variety of other tasks. Sysuev is one of the few in Moscow who can be considered a loyal member of Nemtsov's team. Nemtsov sought to bring members of Yabloko into the government, but was unsuccessful. It is too early to tell how effective Sysuev will be, but his strategy and the obstacles he will encounter implementing it are now clear.

Sysuev was very popular as mayor of Samara, a city of more than 1 million residents in the southern Volga region. Yeltsin appointed him to the position in December 1991. On 5 June 1994, 73% of the voters backed his candidacy to the post. He won a second term in September 1996, holding onto his 73% majority. Sysuev, however, conflicted with the equally popular governor of Samara Oblast, Konstantin Titov. The mayor claimed that Titov tried to subordinate everyone to himself while he sought to maintain his independence (See the National News Service's biographical information, <http://www.nns.ru>). Titov reportedly was offered the government spot first, but suggested Sysuev instead, hoping that the mayoral elections set for 29 June this year will bring a more loyal figure.

Under Sysuev's leadership, Samara paid its pensioners on time in an era when only 29 regions in Russia did so. He also boasts of his healthcare reforms. Under the soviet system, most large enterprises set up their own clinics and hospitals. The result was a healthcare system which had too many doctors and hospital beds and did not give its employees incentives to constantly improve their skills. Sysuev claims that a strong private healthcare system is evolving in Samara which provides competent doctors.

Sysuev's overall philosophy is to force the government to live within its means. He intends to raise money by cracking down on the large enterprises and regions which owe vast sums to the government's pension fund, selling off more state property, and attracting western credits, according to an interview in *Nezavisimaya gazeta* on 24 April.

To reduce expenditures, he wants to target government aid to the people who need it the most. He told Russian Television on 4 May that only 18% of the money currently allocated to Russia's poorest citizens actually reaches them. Naturally, such steps will require unpopular measures. Paying off its pension debt will prevent the government from sending children to summer camps, an activity it had traditionally sponsored. As the government increases the fees it levies on housing and municipal services, elderly citizens living alone will face difficulties meeting these expenses. Sysuev advocates moving them to smaller apartments where they can afford the higher fees, although he admits that in Samara it turned out to be more cost-effective to subsidize the elderly poor rather than move them.

Sysuev and Nemtsov's plans naturally bring them into conflict with Russia's largest companies, such as Gazprom and the Unified Energy System which will have to pay more. They have also come into conflict with Moscow Mayor Yurii Luzhkov, who has harshly criticized the government's housing reform plans. In his 24 April *Nezavisimaya gazeta* interview, Sysuev criticized two of Luzhkov's pet projects, the construction of a giant shopping arcade just below Red Square and the reconstruction of the Christ the Savior Church, as "not helping to solve the main problems." He stresses that Moscow is in a special position with access to a vastly greater supply of resources than are available to other regions. The city's territory includes 27% of Russia's tax base, but only 6% of the population, he noted. - Robert Orttung

ETHNIC CONFLICT AND REGIONAL SEPARATISM

KARACHAEVO-CHERKESIYA PRESIDENT POSTPONES ELECTION.

Karachaevo-Cherkesiya President Vladimir Khubiev, who has never been popularly elected to office, is doing his best to postpone a presidential election as long as possible. This delay may lead to political unrest in the republic and even its partition, *Moskovskii komsomolets* claimed on 5 May.

From 1979 until 1991, Khubiev headed the executive committee (*obkom*) of Karachaevo-Cherkesiya, then an autonomous oblast within Stavropol Krai. When Karachaevo-Cherkesiya separated from the krai and became a sovereign republic within the Russian federation in July 1991, the Russian Federation Supreme Soviet appointed him president and ordered the republic to hold popular elections by January 1992. Khubiev canceled the election, however, saying that it would threaten the political stability of the republic. Later, the republican parliament asked President Boris Yeltsin to appoint Khubiev head of the republic as he used to appoint oblast and krai governors. Yeltsin signed the appointment in April 1995.

A year later, the republican constitution was adopted. It stipulates that the president of the republic must be popularly elected for a four-year term. Moreover, according to Yeltsin's September 1995 decree, all previously appointed regional executives had to stand for popular election by December 1996. (Kemerovo Governor Mikhail Kislyuk is the only other executive who has yet to face the voters, and no election date has been set.) Nevertheless, the Federation Council recognized the legitimacy of Khubiev's presidency and his membership in the federal parliament's upper house arguing that the federal authorities lack the ability to forcibly schedule regional elections. At the end of last month, the republican Supreme Court, replying to an appeal by several republican deputies, decreed that the presidential elections have to be held by September of this year. However, the next day, the Karachaevo-Cherkesian parliament prolonged Khubiev's term of office until 2001.

After that, delegates from all five ethnic groups represented in the republic held national congresses which demanded that the election be held in the time determined by the court. *Moskovskii komsomolets* suggested that if these demands are ignored, the result could be political confrontation in the republic. The political instability may also sharpen separatist attempts by the republic's ethnic minorities: Abadzins and Cherkess have already demanded the designation of territories in which they could establish cultural and political autonomies. - Anna Paretskaya in Moscow

KHASAVYURT LOCAL DEPUTIES QUIT EN MASSE. Thirty out of forty members of the local legislature in Dagestan's Khasavyurt district, and 13 out of 25 deputies of the Khasavyurt city assembly have resigned, *Kommersant-Daily* reported on 6 May. All of the departing deputies are ethnic Chechens and Kumyks. The mass resignation followed the ruling of the republican Supreme Court confirming the legitimacy of an April local election in which an ethnic Avar, a people who make up a minority in the area, had been elected Khasavyurt mayor. The local Chechens and Kumyks claimed that the election results were forged (see *IEWS Russian Regional Report*, 30 April 1997). In giving up their seats, the deputies accused the

republican authorities of preventing a representative of the area's indigenous peoples from being elected as Khasavyurt's executive. - Anna Paretskaya in Moscow

PATTERNS OF REGIONAL DEVELOPMENT

LEBED'S KHAKASIYAN GOVERNMENT FIGHTS WITH SAYANOGORSK.

Khakasiya's executive Alexei Lebed has come into conflict with Sayanogorsk Mayor Sergei Bondarenko in a dispute that mirrors the conflict dividing Primorskii Krai Governor Yevgenii Nazdratenko and Vladivostok Mayor Viktor Cherepkov and Udmurtiya's State Council Chairman Aleksandr Volkov and Izhevsk Mayor Anatolii Saltykov. As in Primorskii Krai and Udmurtiya, the current standoff is unlikely to end until the federal government steps in.

Lebed was elected Khakasiya's leader on 22 December 1996 with the support of the brothers Lev and Mikhail Chernyi and their partners from the giant British Trans - World Metals group. Since coming to power he has used his position to grant tax benefits to the Sayanskii Aluminum plant they control. The republican government has also reduced taxes for the Sayano-Shushenskii Hydro-Electric Station, which can then pass the savings on to the high energy consuming aluminum plant.

The collusion between the aluminum plant and the republican authorities has angered Mayor Bondarenko in whose jurisdiction the plant is located. He claims that the plant is making a \$30 million yearly profit, which is being transferred abroad, while its books show a loss. The result is that the city's coffers are empty and municipal services are on the verge of collapse. He advocates renationalizing the plant so that it will work for the benefit of the city's residents. Lebed and his allies naturally want to replace Bondarenko with someone who will be more sympathetic to their interests.

The conflict between Lebed and the mayor is growing increasingly tense. In early March, Lebed began an audit of Sayanogorsk's books at gunpoint. While his investigators were taking the records they wanted, local television broadcasts were shut down. At the end of the month, Bondarenko traveled to neighboring Krasnoyarsk to complain about the situation. He told RIA Novosti that the trip was necessary because Lebed controlled all of the local media, blocking his access to it (<http://www.russia.net/ria/hotline/hotline.htm>). Now Lebed is trying to have the mayor removed through a referendum.

Yeltsin's presidential administration is seeking ways to use the conflict to its benefit. By siding with Bondarenko, it could dim the presidential hopes of former Security Council Secretary Aleksandr Lebed by showing that his brother is trying to remove a democratically-elected mayor, *Segodnya* reported 19 April. Removing a popularly-elected mayor through a referendum would be unprecedented, although the communists are currently collecting signatures to employ the same procedure against St. Petersburg Governor Vladimir Yakovlev. The Central Electoral Commission says such a vote is illegal under Russian law, but it is not clear what would happen if the matter went to court (*Segodnya*, 30 April). In both the Primorskii Krai and Udmurtiya cases, only Moscow's intervention preserved or restored the seats of the mayors. The result, however, was the imposition of a cold peace rather than a resolution of the economic issues underlying the conflict. - Robert Orttung

KUZBASS CITY SEEKS CHANGE IN STATUS. Work has begun in Novokuznetsk on a draft power-sharing agreement to regulate relations between the city--the center of the region's metallurgical industry--and Kemerovo Oblast. Although second in status to the oblast capital, Kemerovo, Novokuznetsk is the area's largest and most heavily industrialized city. Following the recent election of Sergei Martin as head of the Novokuznetsk city administration, efforts to secure a special status for the city have gathered momentum. According to *Izvestiya* of 6 May, the first session of the new city assembly noted that Novokuznetsk contributes about half of the Kuzbass's annual budget of 13 trillion rubles but receives only 1.5 trillion rubles a year from the region; the city estimates its needs a minimum of 3.5 trillion rubles annually. Should a special agreement be concluded between Novokuznetsk and Kemerovo Oblast, it would be the first such document defining relations between a federation subject and constituent municipality. - Penny Morvant

PERM ELITES: ALLIANCE BETWEEN PARTY OF POWER AND RAW MATERIAL INTERESTS. The "party of power" and raw material interests make up the core of Perm's elites according to an article in *Zvezda* on 10 April. Within the political elite, power lies in the hands of Governor Gennadii Igumnov and his team. The Perm legislature does not usually oppose his initiatives and the communist opposition and "third force" remain relatively weak. Despite Igumnov's visible role in Our Home is Russia at the national level (see above), the local branch of the organization remains weak, and there is an increasing tendency to support the local Russia's Democratic Choice. The business elite is divided among those who make their money from raw materials, manufacturing, trade, and banking. The raw material interests are dominant, gaining considerable influence over the party of power by supplying it with generous financing. The manufacturing elite is largely made up of the "red directors" who seek to reverse the course of reform and protect domestic industry. Their influence is minimal. Many of the traders have entered politics without giving up their primary occupation. The local bankers were extremely powerful two years ago, exerting a great influence on the region's policies. Now, however, they have been replaced by Moscow bankers, who have substantially increased their presence in the region. - Robert Orttung

ALTAI NEWSPAPER UNDER PRESSURE FROM LEGISLATURE. When the editor of *Altayskaya pravda*, Aleksandr Kharybin, refused to publish a letter from 12 members of the krai legislature denouncing Yeltsin's alleged attacks on Lenin's mausoleum on Red Square, the krai's administration began auditing its books, *Kommersant-Daily* reported on 6 May. The paper is the most popular in the region and receives financing from the krai budget. The legislature is now threatening to reduce its support for the paper and remove Kharybin as editor. These threats will probably not amount to much, however. Kharybin says that he can only be sacked as editor by the paper's reporters, an unlikely scenario. Only the krai's governor, Communist Aleksandr Surikov, can remove him as the director of the state enterprise which publishes the paper, but he also is unlikely to want to spoil his relations with the federal government in a battle over Lenin's body, the paper reported. - Robert Orttung

SOCIAL ISSUES

WORLD BANK ENVIRONMENTAL LOAN CRITICIZED. A report prepared for the Federation Council sharply criticizes the disbursement of a \$110 million loan approved by the World Bank in 1995 for a Program on Managing Environmental Resources, according to *Pravda* 5 of 30 April. The loan -- which Russia will have to repay -- was supposed to be used to fund local clean-up programs. The report concludes that no business plan for spending the money was prepared, and of the \$15 million disbursed to date, 28% went to foreign consultants, 36% was spent in Moscow, and only 31% was spent in the Russian regions. The report also complains that one third of the consultants were state employees, and in most cases were being paid for information that had already been collected by state agencies. The pro-Communist newspaper condemns the loan as cooked up for the benefit of "an alliance of Russian and Western bureaucrats." - Peter Rutland

BUSINESS BRIEFS

- **Moscow** is preparing to float its first eurobond issue valued at \$400 million starting 12 May, postponed from 15 March. The London branch of **Nomura Securities** and **CS First Boston** are handling the tender (*Segodnya*, 30 April). Moody's gave the city a speculative credit rating of BA2, while Standard and Poor ranked the city BB-, the same as Russia. Russia issued \$1 billion worth of eurobonds in late 1996 and DM 2 billion earlier this year. While numerous regions have expressed interest in such issues, Yeltsin has only authorized Moscow, St. Petersburg, and Nizhnii Novgorod to do so.

- The deputy director of the **Amurstal steel mill** in Komsomolsk na Amur and the director of the private **Rosmet trading company** have been arrested for fraud (*Delovoi mir*, 30 April). They are accused of avoiding 5 billion rubles (\$800,000) in tax payments. Amurstal, the only steel mill in the Russian Far East, used to produce 1.5 million tons of steel per year, but output is now 10% of that level.

- The **Leningrad Oblast government** plans to build a new international airport in Vyborg, 130 km northwest of St. Petersburg. The airport will be constructed on the basis of an existing military-cargo airport where two runways, a cargo center, and other services will be erected. The regional government estimates that the project will require an \$160 million investment. (*Kommersant-Daily*, 6 May)

- The **Magadan Oblast Temporary Emergency Commission** (VChK) has decided to re-nationalize the Magadan Marine Harbor. The privatized port took advantage of its monopolist position to increase tariffs, thereby raising the price of goods in the region and the neighboring Sakha republic. It also failed to pay taxes, which brought it to the attention of the VChK. The port will most likely be declared bankrupt to facilitate its transfer back into state hands. Several enterprises in the region have already been re-nationalized. (*Izvestiya*, 6 May)

- The **Dutch Economics Ministry** and the **Nizhnii Novgorod Oblast Chamber for Industry and Commerce** have signed an agreement to create a Russian-Dutch Agency for Regional Development in the oblast. The project, whose cost is estimated at about \$1 million, will be financed by the government of the Netherlands and is aimed at the establishment of business ties between the oblast's firms and foreign companies. (*Finansovaya gazeta*, no. 18)

ECONOMIC ISSUES

COMPETITION HEATS UP IN BASHKORTOSTAN'S BANKING SECTOR. Five major banks in Bashkortostan have agreed to create a single payments system in an attempt to limit the influence of Moscow's International Industrial Bank (Mezhprombank) in the republic's banking sector, *Kommersant-Daily* reported on 30 April. The leading member of the republican group is Bashkreditbank, which issues the Bashcard--the mainstay of the new scheme. Bashkreditbank will serve as the clearing house for payments on the Bashcard, act as guarantor for payments, and conclude agreements with local retail outlets. Its partners-- Sotsinvestbank, Agroprombank 'Bashkiriya,' Bashinvestbank, and Bashekonombank, which together have more than 70 local branches--will issue the cards and service them. The new initiative was prompted by a decree issued by Bashkortostan President Murtaz Rakhimov in late 1996 aimed at reducing the number of cash transactions in the republic and increasing the use of bank cards. That edict set up a Republican Processing Center, 51% of whose starting capital came from Mezhprombank and the rest from the republican government. Mezhprombank's Union Card will be used to pay pensions and other allowances in the republic. The Bashkortostan banking group hopes, for its part, to expand the use of the Bashcard on the federal level through an alliance with the Rossiiskii kredit bank. Local credit card schemes, however, are still in their infancy, and alliances remain fluid. -- Penny Morvant

CAR MANUFACTURERS START PRODUCTION IN THE REGIONS. The Kaliningrad firm Avtotor-1 assembled its first Kia Avella Delta from parts supplied by the South Korean company, *Kommersant-Daily* reported 29 April. Imports of such models from Korea are now selling for \$16,000 in Moscow, but cars assembled in Kaliningrad will cost no more than \$14,500. This year the plant will make 5,000 cars and hopes to boost production to 25,000 soon. The plant will also produce sedans, jeeps, and vans. During the next five years, company officials hope to produce 65% of the parts used in the cars locally. However, these plans will require investments of \$1.2 billion, the vast majority of which has yet to be found. The project could produce up to 20,000 jobs, according to RIA Novosti (<http://www.russia.net/ria/hotline/hotline.htm>). On 29 April, Tatarstan's Elabuzhskii Automobile Factory began selling the Chevrolet Blazers it is producing with General Motors. The price will be \$26,000, according to *Kommersant-Daily*. - Robert Orttung

ST. PETERSBURG TACKLES DEBT PROBLEM. Debts to the St. Petersburg city budget now total 3 trillion rubles (\$5.2 million), one quarter of the projected annual income, *Kommersant Daily* reported on 6 May. The arrears include 1.7 trillion rubles in penalties for late payment, which accumulate at the rate of 0.3% per day. As a result, in April the city

authorities began an active program of mutual debt cancellation, in order to prevent the penalties from rising indefinitely. State organizations were allowed to offset municipal debts with debts owed to them by other enterprises. Sergei Demin, the deputy head of the city finance committee, admitted that the whole process involves a great deal of cumbersome paperwork, but thought that it would be worthwhile, particularly as firms are now finding it more difficult to raise funds by issuing securities. In February the city received a BB- rating from Standard and Poor and it is unclear whether the debt-cancellation exercise will bolster the confidence of international lenders. - Peter Rutland

COMBINE HARVESTER GIANT FACES RESTRUCTURING. Output at the Rostov-based Rostselkhoz mash, which used to make 75,000 harvesters a year, fell below 6,000 by 1995 and in 1996 was less than 2,000 - although the plant still retained the 30,000 workers it had in 1991, *Rossiiskie vesti* reported on 10 April. The old director, Yurii Peskov, resisted restructuring and tried to keep the plant unchanged, expecting a rise in demand from CIS countries as their old harvesters wore out. He was also famed for his ability to win funds from Moscow. However, Peskov was eased out in April 1996, and replaced by technical director Vladimir Trinev. The new director has started firing workers and divesting subsidiaries and social welfare institutions. Rostov Governor Vladimir Chub eventually withdrew his support for the old management, refusing to give more oblast guarantees for loans the plant was trying to raise. Chub is also supporting the proposal of the Federal Bankruptcy Administration (FUDN) to introduce temporary outside managers at the factory -- as it has already done, to good effect, at the local Atommash nuclear power engineering plant and the Azov child food combine. Production at Rostselkhoz mash was virtually at a standstill for the last several months, but was revived in April thanks to a federal loan under the farm credits program. - Peter Rutland

SAKHALIN PROJECT STILL ON HOLD. First Deputy Prime Minister Boris Nemtsov announced on 28 April that a presidential decree is being prepared granting the Sakhalin oil projects exemption from custom duties and VAT on imported equipment, *Kommersant Daily* reported on 7 May. This step is unusual, given the government's current campaign to eliminate tax breaks. But it came in the wake of bad news for the Sakhalin projects from the State Duma. On 25 April the lower house rejected a list of seven deposits which could be included in the 1995 production-sharing law - including the Sakhalin-1 site, in which Exxon and Sodeko (Japan) each have a 30% stake. Production sharing allows backers to recoup their investment with a guaranteed share of receipts from the project's output. The Duma has repeatedly failed to pass into law a list of sites eligible under the 1995 law. - Peter Rutland

FOREIGN TIES

REGIONAL DISCUSSION OF BELARUS TREATY. President Boris Yeltsin decreed that there should be a month-long national discussion of the draft charter on the union between Russia and Belarus, which was initialed on 2 April. Accordingly, the government newspaper *Rossiiskie vesti* on 30 April dutifully reported on how this debate is unfolding in the pages of the regional press, with reports from St. Petersburg and Novosibirsk.

The idea of a "nationwide debate" is a relic of the Soviet era, and some of the phraseology is reminiscent of those times: one report talks of "the desire of two brother nations hand in hand to build a brighter future." Unlike in times past, however, the reports take the trouble of citing opinion polls, and recognize some dissension with the government-backed union. The reports argue that most commentators and the public as a whole support the idea of union with Belarus, while being worried about its economic aspects. - Peter Rutland

SAMARA ATTRACTS FOREIGN INTEREST. The US government is about to choose three Russian regions which have the greatest potential to benefit from a program aimed at developing small and medium-sized business, providing training programs, and assisting in the preparation of business and marketing plans. A delegation from the US embassy visited Samara on 18 April to discuss the possibility of including the region in the program. Samara Governor Konstantin Titov welcomed the Americans, noting that his region has had trouble carrying out reform because of a lack of experienced managers, *Samarskie izvestiya* reported on 19 April. Foreigners invested \$107 million in Samara Oblast last year (fifth place in Russia overall) and are predicted to bring \$165 million this year. There are more than 350 enterprises registered in the oblast with foreign participation, *Samarskie izvestiya* reported 8 April. - Robert Orttung

CORRECTION: Vladimir Mau was incorrectly identified in RRR no. 15. He is normally based at the Institute of the Economy in Transition in Moscow, and is currently a visiting fellow at Christ Church, Oxford.

REGIONAL PROFILE: JEWISH AUTONOMOUS OBLAST

Governor: Nikolai Volkov

Nikolai Volkov was elected governor in October 1996. He received 72% of the vote, outscoring his main rival, businessman Sergei Leskov, by over 55%. Volkov was endorsed by majority of the region's political organizations, including the opposition Communist and Liberal Democratic parties and the pro-government Our Home Is Russia.

Volkov's political career started in 1990 when he was elected a deputy and, later, chairman of the oblast soviet. Until then he headed a construction enterprise in Birobidzhan, the oblast's main city. In December 1991, President Boris Yeltsin appointed him to the post of governor. He is an NDR member and at the recent congress was elected to the party's Political Council. He is said to be a devoted ally of President Yeltsin and Prime Minister Viktor Chernomyrdin. While he supports a free market economy, he opposes "shock therapy" and advocates state support for agriculture.

Other Local Leaders

Chairman of the Legislative Assembly -- Stanislav Vavilov, elected in March 1994

Brief Overview

Russian Regional Report--8 May 1997

Page 11

Inhabitation of the oblast's current territory began in the second half of the 19th century. Cossacks, the first migrants, settled along the Amur river, on the border with China. In 1928, the Soviet government established a Jewish administrative unit on the sparsely populated territory northwards from Amur, with a center in Birobidzhan. In 1934, the district was given the status of autonomous oblast within Khabarovsk Krai. Though Jews were often forcibly settled in the region, their share in the population is now about 4%.

The oblast is situated in the southern part of the Russian Far East and borders Amur Oblast in the West, Khabarovsk Krai in the North and East, and China in the South. The oblast has one of the most favorable climates in the Far East area. About half of its territory lies on a plain suitable for agriculture, the rest is rich in mineral resources. Tin extraction, metal processing, machine construction, and light industry are among the main areas of activity in the oblast. Since about 40% of the oblast territory is covered with trees, forestry, lumber and cellulose industries are also highly developed and produce over 10% of the oblast's industrial output.

Since 1991, when the oblast became a free economic zone, it has actively pursued economic and cultural ties with countries of the Asian-Pacific region, the US, and Israel.

Basic Facts

1995 Population (est.): 211,900 (0.14% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 0.05%

Agricultural production as percentage of all Russian production (1994): 0.24%

Average personal income index in July 1995: 81 (Russia as a whole = 100)

Price basket index in July 1995: 137 (Russia = 100)

Average back wages owed per person (September 1995): 94,000 rubles (Russian average = 37,100)

Urban population: 67.3% (Russia overall: 73.0%)

Student population (1993): 57 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 17.74%

Percent of population with higher education (1989 census): 7.8% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 23.8% (Russian average: 29.9%);

Agriculture: 15.9% (12.8%); Trade: 9.8% (9.1%); Culture: 13.4% (13.6%); Management: 2.9% (2.3%)

Number of telephones per 100 families (1993): in cities : 35.6 (Russian average: 41.5); in villages: 33.7 (17.2)

According to a 1995 survey by Bank Austria, the krai is ranked 42nd among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 30.36%/49.43% (first round/second round)

Zyuganov: 32.84%/43.68%
Lebed: 15.30%
Zhirinovskiy: 7.99%
Yavlinskii: 6.45%
Turnout: 67.59%/65.49% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 23.42%
Liberal Democratic Party: 11.58%
Communists -- Workers' Russia: 8.46%
Women of Russia: 7.05%
Party of Workers' Self-Government: 6.09%
Our Home Is Russia: 5.06%
Yabloko: 4.56%
Agrarian Party of Russia: 3.48%
In a single-member district: 1 Communist Party of the Russian Federation
Turnout: 63.92% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 62.76% "No" -- 34.02%

1993 Parliamentary Election

Liberal Democratic Party of Russia: 24.96%
Russia's Choice: 15.38%
Women of Russia: 14.92%
Communist Party Of the Russian Federation: 12.26%
Party of Russian Unity and Concord: 6.41 %
Democratic Party of Russia: 5.92%
Agrarian Party of Russia: 5.01%
Yabloko: 4.86%
In a single-member district: 1 Agrarian Party of Russia
Turnout: 48.39% (Russia overall: 54.34%)

1991 Presidential Election

Yeltsin: 42.89%
Ryzhkov: 29.37%
Zhirinovskiy: 7.52%
Makashov: 6.72%
Tuleev: 5.24%
Bakatin: 3.66%
Turnout: 70.76% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections]*, Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown]*, Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995]*, Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii [Governors of Russia]*, Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.

Compiled by Anna Paretskaya

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Russian Regional Report--8 May 1997

Page 14

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TABLE OF CONTENTS

Center-Periphery Relations

Moscow Mayor Spars with Boris Nemtsov over Housing Reform

Chubais Brings Budget Woes to Siberia

Shaimiev Concerned about Integration with Belarus

Patterns of Regional Development

Vladivostok Residents Block Kulikov Visit, Demand Services

"Red Governors" Make Alliance

Election Fever in Nizhnii Novgorod and Irkutsk

Ethnic Conflict and Regional Separatism

Religious, Ethnic Conflicts Develop in Dagestan

NEWSectoral Analysis

Russia's Automotive Industry: Great Potential, Big Problems

Social Issues

Ekaterinburg City Council Authorizes Paid Medical Services

Economic Issues

St. Petersburg, Leningrad Oblast Engage in Tax War

Business Briefs

A Weekly Summary of Key Deals in the Regions

Foreign Ties

Gypsy Moths Could Hurt Far East Trade

Foreign Ministry Opens Office in Sverdlovsk Oblast
NEWRegional Links

Information about Russian Regions on the World Wide Web
Regional Profile: Krasnoyarsk Krai

CENTER-PERIPHERY RELATIONS

MOSCOW MAYOR SPARS WITH BORIS NEMTSOV OVER HOUSING

REFORM. Newly appointed First Deputy Prime Minister Boris Nemtsov has won President Yeltsin's approval for an ambitious program of housing reform aimed at slashing the housing subsidies which eat up 119 trillion rubles (\$21 billion) a year of federal and local government spending. Over the next six years, the share of costs covered by tenants is supposed to rise to 100% from the current level of 27%, while a new system of targeted assistance will ensure that no family pays more than 16% of its income on housing, rising to 25% by 2003. (NTV, 12 May)

Moscow Mayor Yurii Luzhkov has bluntly stated that he will not implement the reform in the nation's capital (RIA Novosti, 27 April). Luzhkov argues that the program is unrealistic in that it underestimates the proportion of the population that will need financial assistance, and is over-optimistic in assuming that the introduction of meters and competition between suppliers will bring prices down.

Nemtsov defended his housing reform to an expanded meeting of the Russian government on 12 May, to which regional leaders (including Luzhkov) were invited. In an unusual move, Boris Yeltsin attended and chaired the closed-door meeting, a break from his practice of staying away and letting Prime Minister Viktor Chernomyrdin preside. Luzhkov did not apparently win a specific exemption for Moscow, as he had been boasting prior to the meeting. But Nemtsov did state that it will be up to each region to introduce its own housing plan, and that rich regions can continue to subsidize housing if they so desire (albeit without help from federal coffers). The meeting may have temporarily patched up the looming rift between Nemtsov and Luzhkov, two possible rivals for the future Russian presidency.

Moscow's booming capitalist economy looks strong enough to bear the burden of Luzhkov's municipal socialism. The real estate boom, combined with the concentration of banks and trading firms in Moscow, provides it with a hefty tax base. Deputy Prime Minister Oleg Sysuev, Nemtsov's ally in the team to reform social welfare, noted that Moscow has only 6% of the country's population but 27% of its tax base. Sysuev said that maybe Luzhkov can afford to carry on a subsidized social policy, "But we must not forget that there are other regions in Russia." (RTR, 4 May)

In the first quarter of 1997, Moscow city raised 102% of its targeted revenue and was able to meet 97% of its spending plan (*Finansovye izvestiya*, 8 May). This is a sharp contrast to the federal budget, which was only able to raise 57% of planned taxes. The main source of revenue in Moscow's 10 trillion ruble (\$1.7 billion) quarterly budget is the profit tax (which raised 3.8 trillion). Major spending items include 3.7 trillion rubles on housing maintenance and utilities, 1.5 trillion on health care, and 1.3 trillion on education. The city spent 250 billion rubles

subsidizing the metro. Still, the city is owed 2.9 trillion rubles by delinquent taxpayers, including 2.4 trillion held over from 1996. -- Peter Rutland

CHUBAIS BRINGS BUDGET WOES TO SIBERIA. First Deputy Prime Minister Anatolii Chubais addressed the Siberian Accord regional association in Krasnoyarsk 13 May. He came to deliver the bad news about the government's inability to meet the 1997 federal budget and to solicit ideas in preparing the 1998 budget. Although the Siberian governors did not like what they heard, they will probably not be able to do much about it. On the one hand, Chubais may have more difficulty getting regional support for his plans now than in the past because, under Novosibirsk Governor Vitalii Mukha's leadership, the Siberian Accord has been pressing its interests much more aggressively. On the other hand, the regional association is in conflict with other parts of the country, is itself internally divided, and has little leverage over federal policy.

During his trip, Chubais described the 1997 budget as "the fruit of general compromise that has nothing to do with reality," *Izvestiya* reported 14 May. The government has announced that it must cut one-fifth of the planned expenditures in the 1997 budget because it has collected only 57% of the taxes it was counting on in the first quarter. The Siberian governors were quick to defend their own interests. Krasnoyarsk Governor Valerii Zubov warned that he would not accept any attempt to reduce the money set aside for provisioning the country's northern territories or programs working to relocate the northern population to more southerly regions, *Kommersant-Daily* reported 14 May. He also warned that if the federal government did not stop giving preferences to such regions as Tatarstan, Bashkortostan, Sakha, Moscow, and Ingushetiya, it could not count on the support of the Siberian governors.

Not only did the Siberians defend themselves against the rest of the country, there was division within the ranks as well. Zubov, for example, complained that Tyva and Altai received the most generous subsidies from Moscow, while his Krasnoyarsk Krai was a donor--giving more than it received in return. He argued that the state should concentrate its resources in the more advanced and industrialized regions since they were more likely to generate a profit and improve the country's overall financial health, *Izvestiya* reported on 12 May.

Chubais announced that the new budget would be aimed at increasing production, a common demand from governors across the country. The federal government plans to stimulate growth by reducing the overall tax burden by 72 trillion rubles, lowering fees charged by state monopolies on gas, electricity, and railroads, and dropping interest rates by cutting the budget deficit. Chubais made a similar address to the governors in 1995 and did not take many of their criticisms into account then. Irkutsk Governor Yuri Nozhikov recently tried to change federal policy by announcing that his oblast would withhold its tax payments to the federal government. The revolt quickly ended because he has little control over the actual flow of taxes to Moscow and Nozhikov subsequently resigned, the first governor to do so. Whether the governors will play a greater role as the budget process proceeds this year remains an open question. -- Robert Ortung

SHAIMIEV CONCERNED ABOUT INTEGRATION WITH BELARUS. Tatarstan President Mintimer Shaimiev described the idea of Russia uniting with Belarus as

"incomprehensible," on 13 May. He warned that if the union became a reality, a scenario he considers unlikely, Tatarstan would reconsider its own bilateral treaty with the Russian government, *Kommersant-Daily* reported on 14 May. He pointed out that Tatarstan concluded its agreement with the Russian Federation, not an ill-defined "Union." Shaimiev is afraid that if Belarus joins Russia as a unit rather than six separate oblasts, it will behave as a "capricious child." He does not support a referendum on the question either because he fears that the Russian and Belarusian people would support a union, without considering how it will work in practice. Officially organized discussion of the issue has tried to demonstrate strong popular support for the proposal, with some concern about its economic consequences (See *IEWS Russian Regional Report*, 8 May) -- Robert Orttung

PATTERNS OF REGIONAL DEVELOPMENT

VLADIVOSTOK RESIDENTS BLOCK KULIKOV VISIT, DEMAND SERVICES. A group of about 15 Vladivostok residents blocked the road to the local administration building 14 May, forcing Deputy Prime Minister and Interior Minister Anatolii Kulikov to meet with Governor Evgenii Nazdratenko in the suburbs, *Vladivostok* (<http://vl.vladnews.ru/>) reported. The protesters were mainly senior citizens living now without electricity and hot water and hoped to use Kulikov's visit to draw attention to their plight. Kulikov had come to track down unpaid taxes to the federal government and did not want to get involved in the dispute. Upon his arrival, Kulikov said that a large portion of the Far East's fish catch was being shipped abroad and that the government was losing millions of dollars in potential tax income.

City residents are facing power outages of 16-18 hours a day and have had no heat or hot water since the middle of April, *Izvestiya* reported 15 May. Pumping stations are not working and even the cold water is starting to fail. Coal miners who have not been paid since November stopped supplying the city's energy plants on 1 May.

On 12 and 13 May, several hundred people blocked one of the main streets in the city for several hours. The protests are much better organized and are larger than they have been in the past. The city's traffic police have been effectively directing cars around the protesters to avoid any conflicts. However, there have been some incidents where the protesters have captured expensive foreign vehicles and not allowed them to leave.

The picketers have begun to raise political questions, asking why none of their elected representatives have come out to the streets to meet with them. However, calls to leave innocent motorists alone and storm the mayor's office, the governor's office, or Dalenergo have not found much support. Vladivostok Mayor Viktor Cherepkov introduced a state of emergency in the city to little effect, NTV reported on 14 May. Most residents are content for the time being to wait for the authorities to switch on their services again. -- Robert Orttung and Anna Paretskaya

"RED GOVERNORS" MAKE ALLIANCE. The governors of Tula and Ryazan oblasts, Vasilii Starodubtsev and Vyacheslav Lyubimov, signed a cooperation agreement 12 May (*Nezavisimaya gazeta*, 13 May and *Segodnya*, 14 May). The two governors, both recently elected to office with the endorsement of the Communist Party, agreed to provide mutual

economic support and encourage trade links between their regions. The economies of both oblasts are in deep recession now: they both rely heavily on federal subsidies, house collapsing military-industrial enterprises, and must support large populations of pensioners (one third to one half of the adult population.) Due to a lack of money in the federal budget, the two regions have stopped receiving subsidies. This shortage of funds has forced them to combine their efforts in a search for alternative sources of investment for regional industries. They are also trying to rebuild their bilateral economic ties which had been strong during the Soviet era. In addition to the economic issues, the treaty states that the Tula and Ryazan leaderships should develop a common strategy in their relations with the federal government. Observers claim that Starodubtsev intends to sign similar agreements with other opposition governors and thus create an opposition faction in the parliament's upper house. -- Anna Paretskaya in Moscow

ELECTION FEVER IN NIZHNI NOVGOROD AND IRKUTSK. Thirteen candidates have already been registered in Nizhnii Novgorod Oblast's 29 June gubernatorial elections, with no clear favorite (See <http://www.inforis.ru/n-nov/info/brief/index.shtml.k>). Prime Minister Viktor Chernomyrdin's Our Home is Russia (NDR) will not have its own candidate and is now negotiating with both acting Governor Yurii Lebedev and Nizhnii Novgorod Mayor Sklyarov, according to Vladimir Ryzhkov, deputy head of the NDR executive committee. *Segodnya* (13 May) claims that Sklyarov and former Communist Party Obkom First Secretary Gennadii Khodyrev have the best chances of making it into the second round. Local polling shows that support for the communists is increasing, although a communist candidate is unlikely to win. For his part, Lebedev is still trying to have the voting postponed.

At least 11 individuals are now collecting signatures for the Irkutsk gubernatorial race set for 27 July. Communist Sergei Levchenko is optimistic about winning even in the first round. He points out that the leftist parties won 30% of the vote in the 1995 Duma elections and Gennadii Zyuganov took almost 40% in last year's presidential campaign. In contrast to Nizhnii Novgorod, the NDR has its own candidate, Yurii Ten, a Duma deputy from Irkutsk Oblast, who is also collecting signatures.

Governor Yurii Nozhikov's 21 April announcement of his plans to leave continue to change the political landscape in the oblast. Irkutsk Deputy Governor Vladimir Yakovenko left the Irkutsk administration 8 May complaining that following Nozhikov's resignation, he could no longer carry out his policies, *Sovetskaya Molodyozh* (<http://www.irk.ru/sm/index.htm>) reported on 10 May. He will now take a job with the local branch of ONEKSIMbank, but would not specify what his exact duties will be. The paper noted that as deputy governor, Yakovenko controlled the regional economy and was familiar with all of its nuances. Other bankers are worried that he will now be a powerful competitor. -- Robert Orttung and Anna Paretskaya in Moscow

ETHNIC CONFLICT AND REGIONAL SEPARATISM

RELIGIOUS, ETHNIC CONFLICTS DEVELOP IN DAGESTAN. One person was killed, three wounded, and 18 were taken hostage in a religious conflict in the Dagestani village of Chabani-Makhi on 12-13 May, Russian media reported. The conflict emerged between two

Muslim groups, the Wahhabis and the Tarrikats, who live in the village. A Tarrikats rally, which drew about 500 people, called for the expulsion of the Wahhabis from the village because they allegedly destabilize the situation there. The Wahhabis hid in a mosque while armed Tarrikats encircled the building.

The republican authorities sent armed interior ministry units to the village to prevent further fighting and the procurators office started an investigation of the conflict. Though further bloodshed was prevented, some observers believe that a religious civil war may break out in the republic. Wahhabism is the official ideology in Saudi Arabia and is widespread in India, Afghanistan, and Indonesia. It came to the Muslim areas of the former Soviet Union after 1991 and became particularly popular in Chechnya. In Dagestan, Wahhabism is less popular than the Tarrikat's movement which has close ties with the Tarrikats in Turkey who have gained significant political power in recent years.

In the meantime, the situation in Khasavyurt remains tense. Though the republican Supreme Court has recognized the legitimacy of the 6 April local election (see *IEWS Russian Regional Report*, 8 May 1997), the local population is dissatisfied that a representative of the Avar ethnic minority was elected as mayor. Though the United National Council, comprised of the local Chechens and Kumyks, canceled its session and a protest rally, it is going to appeal the election results to the Russian Federation Supreme Court, according to *Nezavisimaya gazeta* on 13 May. The Dagestani authorities believe that stability in the Khasavyurt district depends on the position of the Chechen Republic, which strongly supports the Dagestani Chechens. However, the Chechen Republic has recently reduced its involvement in the Khasavyurt conflict, offering hope that the tensions will soon abate. -- Anna Paretskaya in Moscow

SECTORAL ANALYSIS

RUSSIA'S AUTOMOTIVE INDUSTRY: GREAT POTENTIAL, BIG PROBLEMS.

The Russian car market is expected to boom in the next decade and its success is likely to have a substantial impact on several of the country's regions. The auto industry is currently concentrated in Samara, Ulyanovsk, Nizhnii Novgorod oblasts, Moscow, and Tatarstan, but newcomers like Kaliningrad Oblast are now joining the competition. Unlike most other sectors of manufacturing, the industry has been protected by high tariff barriers, ranging from 30-100% on different types of cars, which have kept out most foreign imports. The high level of protectionism testifies to the auto industry's political leverage, and means that potential foreign investors have to work with the incumbent Russian auto industry directorate.

South Korea's Kia Motors decision to convert an old ship-building plant in Kaliningrad into a car manufacturer is posing new challenges for the established car-makers. Despite the cancellation of a Yeltsin election promise to support the plant and the indifference of new governor Leonid Gorbenko, the plant has just started to produce cars (*Izvestiya*, 8 May and *IEWS Russian Regional Report*, 8 May). Although he did not oppose the project, Gorbenko was not keen to support it because it was initiated by his predecessor, Yurii Matochkin, whom he defeated in the September 1996 gubernatorial campaign.

Currently 95% of light cars in Russia are made at four plants Samara's AvtoVAZ, Nizhnii Novgorod's VAZ, Moscow's AZLK Moskvich, and Ulyanovsk's UAZ (*Finansovye izvestiya*, 6 May). Four other plants, Tatarstan's SeAZ and KamAZ, Udmurtiya's Izhmash, and Moscow's Zil account for the other 5%. All of the firms except GAZ are in trouble.

The Volga Automobile Plant (AvtoVAZ) in Tolyatti accounts for 70% of Russia's light car production and serves as a bellwether for the entire region, according to the Economist Intelligence Unit's *Business Russia*. Last year, it lost over \$400 million. It is wildly inefficient, using 300 employee-hours per car, 20 times the figure for Toyota. Although Fiat helped build the production line in the late 1960s and early 1970s, AvtoVAZ has not modernized like Nizhnii Novgorod's GAZ and Tatarstan's KamAZ plants (*Business Central Europe*, April 1997). Now, AvtoVAZ owes the Russian government 11 trillion rubles (\$2 billion) in back taxes, payments to the pension fund, and other debts. It also suffers from a corrupt distribution system. Boris Berezovskii's Logovaz, the firm's distributor swallowed up the profits on the 700,000 cars produced in 1996. (Berezovskii bankrolled much of Yeltsin's presidential campaign and assured positive coverage for him on the country's main television network. He is now Deputy Secretary of the Security Council.) AvtoVAZ officials are said to tolerate this situation because they reportedly get large kickbacks.

AvtoVAZ badly needs foreign investment, but its management has been hostile to any potential partners, fearing that they will lose control of the company. Daewoo (South Korea) offered to pay off \$1 billion of AvtoVAZ's debt to the government and invest \$2 billion in exchange for a 51% share in the concern and generous tax benefits to import machinery and cars into Russia, but AvtoVAZ President Vladimir Kadannikov rejected the deal (*Kommersant*, 29 April 1997). (Kadannikov briefly served as first deputy prime minister, replacing Anatolii Chubais in January 1996, but was removed from the post when Chubais again gained the upper hand in the August 1996 cabinet reshuffle following Yeltsin's reelection.) Kadannikov claims that he will soon establish a strategic partnership with General Motors (US), but financing for the GM deal is unclear as is AvtoVAZ's potential to pay off its debt to the government. Discussions with Daewoo and GM are on-going, but their final outcome remains uncertain (*Kommersant-Daily*, 14 May).

Despite these problems, AvtoVAZ remains Russia's largest car company. The firm benefits from a widely recognized product, an effective parts distribution system, and the durability of its cars on Russian roads. It is also continuing to release new models, including a new mini-van.

Moscow's ZIL and Moskvich plants are both on the verge of bankruptcy, but Mayor Yurii Luzhkov has stepped in to save them. Moscow gained a 60% interest in ZIL, known for its heavy trucks and limousines, on 14 September 1996. When the company was privatized in 1993, 35% of its shares were sold to the public, 40% to the workforce and management, and 25% retained by the state. Production at the plant dropped from 200,000 cars to the tens of thousands in the last several years. The plant's workforce has dropped from 75,000 to 23,000. ZIL has huge debts (including 1 trillion rubles to the federal budget) which have brought the production line to a standstill on several occasions.

Output at Moskvich has more than halved over the last four years and stood at 50,000 cars in 1996 (5% of Russia's production). Production has now been restarted after a stoppage

earlier in the year. In October 1996, the federal government tried to declare Moskvich bankrupt because of its massive tax debt. The Moscow government stepped in in December 1996 with a \$45 million credit agreement in conjunction with six banks to finance the plant's rehabilitation.

Luzhkov has been trying to boost sales of the Moscow based factories. On 13 May, he signed a deal with LUKoil in which ZIL will make special vehicles for the oil industry, *Kommersant-Daily* reported. LUKoil will help sell the ZILs in Tyumen Oblast. Luzhkov said that soon the oil company will sign a similar deal with Moskvich. According to the newspaper, LUKoil is interested in the car makers mainly because they provide an entrance to the Moscow market. Despite these successes, it is not clear that the city of Moscow will be able to make the manufacturers any more profitable than their previous managers. Additionally, Luzhkov's critics point out that the complicated arrangements he made in saving ZIL may look good in the short term, but could prove to be expensive for the city in the future.

Nizhnii Novgorod's GAZ is the only one of the big four that is doing reasonably well. The state only owns 0.3% of its stock and it is producing 125,000-130,000 light cars a year, according to the oblast's former governor, Boris Nemtsov (*Nezavisimaya gazeta*, 7 May). Now that Nemtsov is first deputy prime minister, he has used his position to force the government to sell all of its foreign made cars and replace them with domestic models, a move likely to help GAZ which produces the Volga. The first auction of the imported cars will be held by 25 June this year, RIA Novosti reported (<http://www.russia.net/ria/hotline/hotline.htm>), provoking considerable grumbling among the bureaucrats who have become used to the comforts of their western models.

The growing demand for cars will create plenty of opportunities for Russia's auto manufacturers, who may or may not be able to meet them. However, the increased traffic is already wreaking havoc in Moscow and St. Petersburg as streets that were not designed for such traffic flows must handle an onslaught of commuters who can afford to shun decaying public transportation systems. The growing pollution and expense, combined with a battle over road funds that pits Moscow and St. Petersburg against the rest of the country, will provide numerous further challenges to regional policy makers. -- Robert Orttung

SOCIAL ISSUES

EKATERINBURG CITY COUNCIL AUTHORIZES PAID MEDICAL SERVICES.

The Ekaterinburg City Duma authorized local doctors to begin charging for their services in principle, *Uralskii rabochii* (<http://ur.etel.ru>) reported 7 May. The decision came following a bleak report by the head of the city's health care department, S. Akuov. He pointed out that the city needs 1.2 trillion rubles (\$210 million) to care for its citizens. Last year the budget only covered 73% of the required expenses. Fees for some special services, such as making dentures and conducting physicals for driving tests, brought in another 4.5%. The medical system faces two choices to make up the deficit: Simply spending the existing money until it runs out and then charging for everything or introducing a consistent set of fees to spread the costs among all patients. The deputies chose the latter to make the fees universal and equal. Only citizens in special categories defined by federal and oblast law will be exempt. There are about 300,000 such persons in Ekaterinburg, just over 20% of the population. The authorities have

yet to define which services will now be liable to fees and how much the various procedures will cost. A further complication is that the city Duma does not have the right to increase the list of services offered for a fee since that task remains a prerogative of the oblast. -- Robert Orttung

BUSINESS BRIEFS

-- **McDonald's** of Canada opened its first store in Nizhnii Novgorod and is planning two more this year and 10 by the end of the century, *Segodnya* reported 7 May. The store has 325 seats and will create 250 new jobs. McDonald's already operates in Moscow and St. Petersburg.

-- **Simex** (Canada) and Nizhnii Novgorod Oblast are equal partners in an animal husbandry project that includes plans to increase facilities for artificial insemination. Simex has already invested \$2 million.

-- **Gazprom** Chairman Rem Vyakhirev and **Sverdlovsk Oblast Governor Eduard Rossel** signed a package of treaties on cooperation (*Kommersant-Daily*, 13 May). According to the agreement, the oblast's former military industrial enterprises will manufacture equipment which Gazprom will use to replace tools imported from abroad, while the company will help the region lay additional gas lines. The two sides also agreed to cooperate in developing the regional oil industry: working with **Uralneft**, Gazprom will continue prospecting for oil in the south-western and north-eastern parts of the oblast, according to the Gazprom press service.

-- The **Tatarstan State Property Committee** announced that shares of several state-owned enterprises will be placed on the auction bloc on 6 June. The starting prices of share packages in 74 enterprises in the oil, gas, agricultural, energy, chemical, and light industries sector range from 3.6 to 397.6 million rubles (*Finansovye izvestiya*, 8 May)

-- The **European Bank for Reconstruction and Development** has begun working with **Nizhnii Novgorod's Banking House** (NBD) and will fund several regional projects whose cost is estimated at \$15 million. The plans include the reconstruction of old power plants and the construction of new ones. The EBRD will also buy 18% of the shares of the NBD for \$5.5 million, becoming the second largest shareholder after AO Nizhnovenergo (*Segodnya*, 8 May).

ECONOMIC ISSUES

ST. PETERSBURG, LENINGRAD OBLAST ENGAGE IN TAX WAR. Many of Leningrad Oblast's enterprises are reregistering in St. Petersburg, costing the oblast 50-80 billion rubles a year in tax revenue, *Kommersant-Daily's* Yuri Zatselin reported 14 May. One of the most recent firms to switch its registration was the oblast's Sberbank. The moves seem to defy logic since taxes are higher in St. Petersburg. The city charges a 20% tax on profits for enterprises and a 22% tax on banks, exchanges, and insurance companies. In the oblast, similar taxes are 18%. The city's tax is expected to fall to 19% by 1999. The city's pressure on oblast enterprises when they open a branch in the city is the cause for these moves, according to

Grigorii Dvas, the chairman of the oblast's Committee on the Economy and Investments. He described the situation as a "war." Of the more than 300 enterprises operating in Leningrad Oblast and paying taxes somewhere else, 200 are sending their money to St. Petersburg. Leningrad Oblast is considering offering special privileges to firms which agree to reregister in the oblast. In light of the dispute, both the city and the oblast have forgotten about recent talks about merging. -- Robert Orttung

FOREIGN TIES

GYPSY MOTHS COULD HURT FAR EAST TRADE. Plans to spray against Asian gypsy moths in Primore this spring have collapsed because of a lack of funds and concerns of local scientists, *Vladivostok News'* Karen Ogden reported 30 April (<http://vlad.tribnet.com/>). The moths were first spotted in Canada and the US Pacific Northwest in 1991. The moths are harmless in Russia but could cause considerable damage to American forests if they cross the ocean in large numbers on Russia's fleet. A US quarantine on Far Eastern shipping could cost the industry dearly. The Russian gypsy moth population is currently going through a period of explosive growth. -- Robert Orttung

FOREIGN MINISTRY OPENS OFFICE IN SVERDLOVSK OBLAST. The Russian Foreign Ministry has opened an office in Yekaterinburg, *Ogonek* (<http://www.ropnet.ru/ogonyok/win/welcome.html>) reported 28 April. Governor Eduard Rossel lobbied for more than a year to win the representation from the financially strapped ministry. According to the local newspaper *Na smenu!* (17 April), Sverdlovsk Oblast was the first Russian region to win such a representation, which have until now been limited to the former republics of the Soviet Union. Although the region was closed to foreigners before 1990 because of its military significance, it is now one of Russia's most attractive. A recent survey by *Ekspert* magazine and Pioneer Pervyi ranked it number one overall (<http://www.expert.ru/>). The US has a consulate there and Great Britain and China are about to open their own as well. Rossel hopes to use the new office to ensure that the money his oblast attracts finds its way to the Urals rather than staying in Moscow. - Robert Orttung

REGIONAL LINKS

-- (<http://avtopilot.auto.ru>) *Avtopilot* is Russia's answer to *Car and Driver*. The May issue includes an article examining vehicles used in Chukotka, the region farthest from Moscow where the average temperature for ten months of the year is -30 Celsius and locals must drive on the permafrost.

-- (<http://www.samara.ru/>) The Samara server includes information on Samara Governor Konstantin Titov, the oblast's charter, statistical data on the region, comprehensive election analyses, administration phone numbers, and an interesting trip report by Webster University Professor Daniel C. Hellinger who visited the city in the summer of 1996 to help Samara State University set up a legal studies program with funding from the Eurasia foundation.

CORRECTION: In the report from the BASEES Conference (*IEWS Russian Regional Report*, 30 April), Dr. Ruth Brown was mistakenly identified. She is a British Academy post-doctoral fellow, based not at Oxford, but at the School of Slavonic and East European Studies, University of London.

REGIONAL PROFILE: KRASNOYARSK KRAI

Governor: Valerii Zubov

Valerii Zubov was elected governor in 1993 winning 24% of the vote in the first round and 75% in the second. From 1982-1988, he served as the dean of the Economic Faculty of Krasnoyarsk State University. He spent a year studying the organization of labor at Oklahoma University during the 1985-6 academic year. In February 1992, he was appointed deputy governor and oversaw the krai's economic department. In 1993, he won election to the Federation Council, with 51% of the vote. In addition to his duties as governor, he serves as Deputy Speaker of the parliament's upper house. He also helped found the krai's stock exchange.

Zubov strongly backed Yeltsin in his 1993 battle with the parliament even though he believed that Yeltsin's actions exceeded his constitutional power. He presents himself as a pragmatic reformer who wants to utilize his region's potential to the fullest. Within his administration, he is known as the "local Gaidar," according to the National News Service (<http://www.nns.ru/>). In more recent speeches, he has denounced the federal government's policy of signing preferential treaties with some republics and oblasts in the federation, calling for a more even-handed policy. He also supports a federal policy that would direct aid to industrialized regions, rather than the poorest areas in the country. Helping these regions would improve the country's overall health, he claims.

Other Local Leaders

Chairman of the Legislative Assembly -- Stanislav Yermachenko, elected in April 1994

Brief Overview

Krasnoyarsk Krai is the second largest Russian region after Sakha (Yakutiya), occupying an area of 2,339,700 sq. km, which is 13% of the country's total territory. It stretches 3,000 km from north to south. The krai lies in the middle of Siberia and shares borders with Tyumen, Tomsk, Irkutsk, and Kemerovo oblasts, the republics of Khakasiya, Tyva, and Sakha, and the Arctic Ocean in the North.

The krai was created in 1934 and then included the Taimyr and Evenk autonomous okrugs and Khakasiya Autonomous Oblast. In 1991, Khakasiya seceded and became a republic within the Russian Federation. Over 95% of the cities, a majority of the industrial enterprises, and all of the agriculture are concentrated in the south of the region. It is rich among the richest of Russia's regions in natural resources. Eighty percent of the country's nickel, 75%

of its cobalt, 70% of its copper, 16% of its coal, and 10% of its gold are extracted in the region. Krasnoyarsk also produces 20% of the country's timber. The region's major industries are: non-ferrous metallurgy, energy, forestry, chemicals, and oil refining.

Krasnoyarsk boasts about 200 enterprises with foreign capital, mostly from Germany and China. Most joint venture enterprises are in forestry and consulting. The region's main foreign trade partners are the Netherlands, the USA, Japan, France, Sweden, Italy, and South Korea.

Basic Facts

1995 Population (est.): 3,116,600 (2.10% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 3.71%

Agricultural production as percentage of all Russian production (1994): 2.08%

Average personal income index in July 1995: 115 (Russia as a whole = 100)

Price basket index in July 1995: 99 (Russia = 100)

Average back wages owed per person (September 1995): 67.300 rubles (Russian average = 37,100)

Urban population: 73.7% (Russia overall: 73.0%)

Student population (1993): 190 per 10,000 (Russia overall: 171/10,000);

Pensioner population (1994): 21.80%

Percent of population with higher education (1989 census): 9.8% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 31.3% (Russian average: 29.9%);

Agriculture: 9.6% (12.8%); Trade: 7.8% (9.1%); Culture: 12.9% (13.6%); Management: 2.1% (2.3%)

Number of telephones per 100 families (1993): in cities : 24.5 (Russian average: 41.5); in villages: 15.1 (17.2)

According to a 1995 survey by Bank Austria, the krai is ranked 53rd among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 34.8%/53.43% (first round/second round)

Zyuganov: 28.52%/40.01%

Lebed: 13.87%

Yavlinskii: 10.01%

Zhirinovskiy: 7.58%

Turnout: 70.20%/66.68% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 18.84%

Liberal Democratic Party: 12.62%

Our Home Is Russia: 9.15%

Yabloko: 6.86%
Women of Russia: 5.78%
Congress of Russian Communities: 5.53%
Derzhava: 5.29%
Communists -- Workers' Russia: 4.42%
Party of Workers' Self-Government: 3.75%
In single-member districts: 1 independent, 1 Agrarian Party of Russia, 1 Congress of Russian Communities, 1 Russia's Democratic Choice -- United Democrats
Turnout: 64.66% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 56.50% "No" -- 34.86%

1993 Parliamentary Elections

Liberal Democratic Party of Russia: 31.17%
Russia's Choice: 13.96%
Women of Russia: 9.28%
Communist Party of the Russian Federation: 9.06%
Agrarian Party of Russia: 7.84%
Yabloko: 7.29%
Party of Russian Unity and Concord: 6.56%
From electoral associations: 1 Liberal Democratic Party of Russia, 1 Russia's Choice, 1 Democratic Party of Russia
Single-mandate districts: 1 Liberal Democratic Party of Russia, 1 Agrarian Party of Russia, 2 independent
Turnout: 52.17% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 60.06%
Ryzhkov: 15.41%
Zhirinovskiy: 9.81%
Tuleev: 7.24%
Bakatin: 2.62%
Makashov: 1.75%
Turnout: 71.85% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95* [Russian regions on the eve of 1995 elections], Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam* [Results of the 17 December 1995 elections, regional breakdown], Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995* [State Duma elections 1995], Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii* [Governors of Russia], Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.

Compiled by Anna Paretskaya

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TABLE OF CONTENTS

Center-Periphery Relations

Provincial Clans a Key Element in Kremlin Politics

Chubais Calls for Changes in Relations with Sakha

NDR Lacks Local Cadre

Patterns of Regional Development

Federal Money Ends Primore Miners' Strike, For Now

St. Petersburg Government Officials Resign

NDR Picks a Candidate for Nizhnii Novgorod Race

Ethnic Conflict and Regional Separatism

Stavropol, KRO Agreement on Resettling Russians from Chechnya

Social Issues

Tripartite Agreements In St. Petersburg, Samara

Tuberculosis Strikes Nizhnii Novgorod

Hepatitis-A Rages In Sakhalin

Economic Issues

Moscow Firms Live on in the Shadow of Bankruptcy

Tambov Struggles with Housing Reform

Business Briefs

A Weekly Summary of Key Deals in the Regions

Regional Links

Russian Davos
Rosugol
Regional Profile: Omsk Oblast

CENTER-PERIPHERY RELATIONS

PROVINCIAL CLANS A KEY ELEMENT IN KREMLIN POLITICS. When President Boris Yeltsin tapped Nizhnii Novgorod governor Boris Nemtsov to become First Deputy Prime Minister in March, many welcomed the promotion of a fresh face from the provinces. Since arriving in Moscow, Nemtsov has shown that in order to function in the fluid Kremlin bureaucracy he needs to rely on trusted aides from his provincial base. Nemtsov has brought five like-minded officials from his home town to serve in key positions and implement his reform agenda - a program which is in large part lifted from his 1997-2000 development plan for Nizhnii Novgorod. (*Kommersant-Daily*, 20 May)

Yevgenii Krestyaninov, formerly the presidential representative in Nizhnii, is now Nemtsov's chief of staff. Sergei Kirienko, a 34-year old banker and former Komsomol leader who took over last year as head of the Nizhnii-based Norsi Oil, was appointed first deputy fuel and energy minister. Boris Brevnov, another Nizhnii banker, became first vice president of the electricity monopoly, Unified Energy System. Two analysts from the EPIcenter research group in Nizhnii, Andrei Smorgonskii and Pavel Chichagov, were appointed respectively as deputy health minister and deputy railways minister. (EPIcenter is the research institute created by Grigorii Yavlinskii, who was closely involved in designing the reforms Nemtsov introduced in Nizhnii Novgorod.)

The arrival of Nemtsov's team in Moscow follows a well-established tradition of Soviet and Russian politics. In a system where bureaucracies are cumbersome and ineffective, and where organized interest groups at the national level are relatively weak or distrusted, a new leader from the provinces who wants to take decisive action will rely on his own circle of personal friends and former colleagues, his "social capital." Thus, in his drive to implement market reforms, First Deputy Prime Minister Anatolii Chubais has relied on a network of some two dozen young economists from his home base of St. Petersburg, placed in key posts throughout the government and presidential administration. Similarly, Aleksandr Lebed's political team is built around a core of aides from his days as military commander in Moldova. When Yeltsin arrived in Moscow back in 1985, he brought with him trusted cadres from his native Sverdlovsk. Earlier still, Leonid Brezhnev was known for relying on his Dnepropetrovsk and Moldovan "clans." Such a pattern is not uncommon in other political systems, as is illustrated by the Arkansas contingent in President Clinton's administration. - Peter Rutland

CHUBAIS CALLS FOR CHANGES IN RELATIONS WITH SAKHA. First Deputy Prime Minister Anatolii Chubais visited the republic of Sakha (Yakutiya) on 15 May. He made the trip after listening to Krasnoyarskii Krai Governor Valerii Zubov call on the federal government to end its special relationships with several of the country's republics, including Sakha (See *IEWS Russian Regional Report*, 15 May). During his visit, he seemed to be acting on Zubov's advice.

Sakha's bilateral treaty with the Russian Federation allows it to collect federal taxes and distribute them for federal programs in the republic. Additionally, President Boris Yeltsin signed a secret decree which gives the republic ownership rights over all diamonds on its territory and the right to sell them abroad. The republic also avoided much of the privatization program, with local stores remaining in

state hands. The personal friendship between Yeltsin and Sakha President Mikhail Nikolaev played a large role in making these advantages possible for the republic. When Sakha's bilateral treaty with Moscow expired in March this year, the local legislature unilaterally extended it without gaining the center's approval.

Chubais believes that Sakha should make a larger contribution to the federal budget. In 1996, the republic's diamond company Almaz Rossii-Sakha (ARS) made \$1.4 billion, \$600 million of which came from exports through the South African-based De Beers. Chubais complained that Sakha has not transferred a single diamond to the federal government and of the money made through the deal with De Beers, Moscow received only \$3 million even though the federal government owns 32% of the stock in the company (*Kommersant-Daily*, 15 May). ARS has a large tax debt to the federal government as well. The republican government likewise owns 32% of ARS's stock. Last year Sakha received 20% of the diamonds mined. The money went into non-budgetary funds, and federal attempts to find out how it was spent were not successful. Many of ARS's workers have not been paid for several months and the republic's infrastructure is collapsing. The federal government has refused to approve the company's agreement with De Beers this year. According to *Izvestiya* (16 May), this refusal has forced the company and the republic to their knees. Sakha derives 70% of its income from ARS's taxes.

During his visit, Chubais lashed out at the local leaders who all asked him for federal subsidies. He said that the federal government would not hand over any more rubles, but would help any company that sought outside investment. In particular, he told local industrialists to sell stock in their companies as a way of raising capital. He emphasized that Sakha would no longer be able to avoid its obligations to the federal budget (*Segodnya*, 15 May).

The unusual unity of the federal government has allowed Chubais to take such a tough stance against one of the national republics that has recently enjoyed generous concessions from Moscow. In the past, Sakha's leader's may have turned to Chubais's enemies in the federal government, such as former First Deputy Prime Minister Oleg Soskovets, for relief (*Expert*, 19 May) (<http://www.expert.ru/>). Additionally, Sakha is seen as relatively weak among the national republics and an attack on Tatarstan or Bashkortostan would be much more difficult. - Robert Ortung

NDR LACKS LOCAL CADRE. Despite the wide representation of governors in Our Home Is Russia's (NDR) leadership (see *IEWS Russian Regional Report*, 8 May 1997), the 1996 regional electoral campaigns demonstrated that Prime Minister Viktor Chernomyrdin's political movement lacks a strong network of regional supporters, according to the NDR's annual report released on 13 May. While the movement either had its own candidate or supported a nominee of another pro-reform party in every region for the governors' race, it was unable to endorse candidates for each seat in regional and local legislatures. Often, pro-reform candidates chose to run as independents even though they were willing to accept the NDR's support. Once elected, these candidates preferred to distance themselves further from the movement.

Chernomyrdin's organization had its best showing among the 1996 legislative elections in Marii El, where 36 of the 50 deputies are now affiliated with the NDR. The worst was in Kemerovo Oblast, where none of the NDR's 17 candidates were elected to the regional legislature. Overall, during last year's elections, the NDR won 20.3% of the seats in regional legislatures. As a result, it is now represented by 338 deputies in 48 of the 89 federation subjects, approximately 10% of all regional

deputies. The movement has already set up factions in three of these 48 regional legislatures and has plans to form an additional 17.

The NDR electorate is mostly concentrated in cities and the movement did well in mayoral elections. Almost half, 46.5%, of the mayors elected last year were backed by the NDR. However, only a few of the candidates had strong ties to the movement. The majority of the successful candidates had been nominated by other parties or, more often, by citizen groups, and only later chose to work with the party of power. The situation was similar with regard to local legislatures. The NDR local branches nominated their own candidates only in 17% of the electoral districts and supported candidates endorsed by other parties or initiative groups in another 33% of the districts. It did not contest half of the total races. However, in some cities, the movement was able to nominate candidates in all districts to good effect: it won all nine seats in the Novgorod city council; 14 out of 24 in Astrakhan; and 7 out of 15 in Ulyanovsk. - Anna Paretskaya in Moscow

PATTERNS OF REGIONAL DEVELOPMENT

FEDERAL MONEY ENDS PRIMORE MINERS' STRIKE, FOR NOW. The federal government's decision to give Primorskii Krai miners 52 billion rubles (about \$9 million) has convinced them to resume some coal deliveries for the time being, *Izvestiya* reported 20 May. Deputy Prime Minister Oleg Sysuev pledged this money during his 13-14 May trip to Khabarovsk. The miners had been on strike since 1 May. The money is only a fraction of the 260 billion they are owed in back pay, but it gives them some relief since many have not been paid in more than six months. The first 20 billion rubles are expected to arrive in Vladivostok by the end of this week. Generators are already producing more electricity and daily power outages for some residents have dropped from 16-18 hours a day to 6-10 hours, *Vladivostok* reported (<http://vl.vladnews.ru/>). In Moscow, during the early part of the week Primorskii Krai Governor Yevgennii Nazdratenko claimed to have found another 10 billion rubles to buy fuel in Irkutsk that would restore the city's power fully. Unfortunately, the federal government's offer to hand over money to the region does little to address the roots of the problem. And, as usual, the mayor's office is blaming the governor for the city's energy problems, while the governor blames the mayor and the central government.

Following the latest injection of cash, the federal government has been trying to give the appearance of resolving the region's energy problems for the long term. Prime Minister Viktor Chernomyrdin has taken the crisis under his "special control" and ordered federal ministries to take action, RIA Novosti reported (<http://www.russia.net/ria/hotline/hotline.htm>). The president met with Chernomyrdin, Chubais, Nemtsov, and Sysuev to discuss the issue on 19 May. On the 20th, Nazdratenko signed an agreement with the Ministry of Fuel and Energy in which the ministry agreed to monitor the price of electricity (Russian TV, 20 May).

Because of its own financial problems, there is not much the federal government can do. Primorskii Krai receives the largest federal subsidy of any region, 2.53 trillion rubles, which makes up 70% of the krai budget (*Kommersant-Daily*, 21 May). Since the federal government has to cut back on its expenditures due to its inability to collect taxes, the krai will inevitably not receive the money it had been allocated. In their meeting with Sysuev, the Far Eastern governors particularly complained about the federal government's failure to finance the construction of the Bureiskii hydroelectric station. The far eastern leaders believe this new generator could solve many of the region's energy problems.

Neighboring Khabarovsk Krai does not suffer from the on-going energy crisis that afflicts Primorski Krai and has not experienced any power shortages. Some believe that the difference is explained by the fact that in Khabarovsk the energy company has managed to collect 60% of the money its customers owe for the use of energy, while in Primorski Krai the figure is only 45% (*Nezavisimaya gazeta*, 20 May). Moreover, there is considerably less political infighting in Khabarovsk than in Primorski Krai.

A 16 May rally of striking miners in Vladivostok called for the "zero option," demanding the resignations of both Primorski Krai Governor Yevgenii Nazdratenko and Vladivostok Mayor Viktor Cherepkov, *Kommersant-Daily* reported. The miners blamed the feuding local leaders for preventing a solution to the region's energy crisis and demanded direct presidential rule in the krai. In particular, the miners insisted on the intervention of Chubais. About 1,500 people participated in the demonstration. Many of them were coal miners who had come into Vladivostok from outlying regions. The unity of the miners is breaking down, however, when it comes to dividing up the money sent from Moscow. Alternative schemes of handing out the money according to who mines the most or who is owed the most benefits different groups (*Vladivostok*, 21 May).

On the day of the protest rally, Nazdratenko refused to meet with the miners, but sent out First Deputy Governor Konstantin Tolstoshein in his place. Later he met with a delegation of miners for three and a half hours. The miners' anger seemed to be mostly directed against Nazdratenko, whom they accused of wrecking the entire fuel and energy sector. *Izvestiya* blames Nazdratenko for the krai's problems. The paper claims that even though energy prices have been rising since 1992, Nazdratenko has held them to about half the level of neighboring regions in order to win voter support. Combined with the non-payments crisis, the artificially low prices created the current energy crisis, the paper claims.

In a move that doesn't make any political sense, Cherepkov left for the US on 19 May with a group of five other Russian mayors to study American municipal government. Despite their usual openness, the mayor's assistants were reluctant to provide details of his trip, according to *Vladivostok*. On his way through Moscow, Cherepkov stopped to push his long-held plan of restructuring Dalenergo, to create a Vladenergo, which would be subordinate to him. Additionally, the Vladivostok general procurator has launched an investigation into the actions of Dalenergo's leadership to determine if any laws were broken when the company shut off power supplies. - Robert Orttung

ST. PETERSBURG GOVERNMENT OFFICIALS RESIGN. St. Petersburg deputy governor Valentin Mettus and Yevgenii Oleinik, who was responsible for the city law-enforcement bodies, resigned *Kommersant-Daily* reported on 7 May. Although the former officials refused to comment on their decision, observers believe that the failure of housing reform was the main motivation. In the city government, Mettus handled a variety of areas, including transportation, energy supply, and property, but recently has focused mainly on housing reform. The city government's decision to increase fees for rents and municipal services has provoked mass protests among local residents. Communist Party activists claim to have collected enough signatures to force a referendum allowing local voters to express their lack of confidence in Yakovlev (RFE/RL Newline, 20 May 1997). Whether the vote will take place and whether its results will be binding are unclear. Yakovlev apparently hopes that the resignation of local housing reform's main architect will cool public passions and shore up his ability to hold onto his

office. Mettus' responsibilities were split between two other deputy governors, Yurii Antonov, who will supervise investment, and Mikhail Manevich, who will be responsible for property.

Oleinik's resignation is connected to the recent creation of a city Security Council. Yakovlev heads this new body which brings together directors of the local law-enforcement organizations, local representatives of the Federal Security Service and interior ministry, and the transport police. Yakovlev has said that he believes that rotation among the city leaders is a natural process that will improve the local government's performance. Observers believe that further personnel changes will be forthcoming. - Anna Paretskaya in Moscow

NDR PICKS A CANDIDATE FOR NIZHNI NOVGOROD RACE. Our Home Is Russia (NDR) will support Nizhnii Novgorod Mayor Ivan Sklyarov in the 29 June gubernatorial race in Nizhnii Novgorod, *Segodnya* reported on 15 May. For several weeks, the movement's leadership and regional branch have been vacillating between supporting Sklyarov or acting Governor Yurii Lebedev and have conducted negotiations with both (see *IEWS Russian Regional Report*, 15 May 1997). The NDR picked Sklyarov because he is the assumed front-runner.

A day before the NDR announced its choice, *Rabochaya tribuna*, a newspaper sponsored by Gazprom and, therefore, close to NDR, slammed Lebedev, accusing him of not implementing a Constitutional Court decision to abolish a regional 3% sales tax and pressuring the regional legislature not to discuss the matter. In recent issues, the newspaper has begun a campaign for Sklyarov, sharply attacking his rivals and denouncing media reports about his failures during his tenure as mayor.

In backing Sklyarov, the NDR is apparently going against the wishes of former Nizhnii Novgorod Governor Nemtsov. Although Nemtsov has not announced his preferences, according to *Segodnya* (13 May), he would prefer to see Lebedev as his successor.

The same day the NDR made its announcement, the notorious National-Bolshevik writer Eduard Limonov made public his intent to stand for election. The local electoral commission may try to prevent Limonov from joining the race since he has not lived in the oblast for the previous year. However, Limonov would likely win an appeal, since the Supreme Court has struck down similar laws in other regions. The registration of Kursk Governor Aleksandr Rutskoii and Khakasian Prime Minister Aleksei Lebed were initially rejected by local electoral commissions. - Anna Paretskaya in Moscow

ETHNIC CONFLICT AND REGIONAL SEPARATISM

STAVROPOL, KRO SIGN AGREEMENT ON RESETTLING RUSSIANS FROM CHECHNYA. The Congress of Russian Communities (KRO) and Stavropol Governor Aleksandr Chernogorov signed an agreement aimed at resettling and employing 30,000 - 35,000 ethnic Russians from Chechnya, RIA Novosti reported. The money for the project will come from Stavropol's budget and federal funds earmarked for reviving Chechnya's economy. In Rogozin's opinion, most of the Russians still in Chechnya want to leave and no peace treaty will be effective until they are resettled. He also is pushing for the return of Shelkovskoi and Naurskii districts. They were transferred from Stavropol Krai to the Chechen-Ingush republic in 1956. - Robert Ortung

SOCIAL ISSUES

POLITICIANS, EMPLOYERS, UNIONS SIGN AGREEMENTS IN ST. PETERSBURG, SAMARA. Governor Vladimir Yakovlev has signed an agreement between the authorities, employers, and unions in St. Petersburg. The text of the document was published 15 May 1997 in *Sankt-Peterburgskie vedomosti* (<http://www.dux.ru/enpp/newspapers/spbved/>). The three sides agreed to work together in helping the city overcome its economic crisis, while taking each others' interests into account. The administration agreed to support small and medium sized business and not charge city residents for more than 40% of the cost of their housing in 1997. The employers pledged to increase efficiency, competitiveness, and the level of investment, while creating more jobs. The unions will work to sign agreements at all work places to increase production, productivity, and quality. Politicians, employers, and unions in Samara signed a similar agreement at the end of March. - Robert Orttung

TUBERCULOSIS STRIKES NIZHNI NOVGOROD. Over the last five years the number of tuberculosis cases in Nizhnii Novgorod has risen 46% and the number of victims dying from the disease has doubled, according to Galina Kulikova writing in *Gorod i gorozhane* (<http://www.sci-nnov.ru/massmedia/papers/nnpapers/>) on 15 May. Approximately 3,000 people are now afflicted with the contagious ailment. The main source of sickness is the local corrective labor camps. The city currently does not have the facilities to deal with the large influx of patients, nor does it have the money, an estimated 7.8 billion rubles, to build them. City health officials fear that the disease will continue to spread. - Robert Orttung

HEPATITIS-A RAGES IN SAKHALIN. In the city of Poronaisk on Sakhalin Island, 377 people, including 167 children, have been hospitalized with hepatitis-A, *Segodnya's* Oleg Kryuchek reported 20 May. The Sakhalin authorities are blaming the local military unit for the outbreak. For several weeks, untreated sewage has been flowing from the military outpost into the local water supply. Sakhalin Oblast officials are demanding that the persons responsible for this problem be punished and are considering suing the military for 500 billion rubles. - Robert Orttung

ECONOMIC ISSUES

MOSCOW FIRMS LIVE ON IN THE SHADOW OF BANKRUPTCY. Some 80% of the firms in Moscow are technically insolvent, but few of them have been forced to close due to bankruptcy proceedings. Bankruptcy has a rather distinctive meaning in the Russian context, as explained by Valerii Saikin, chairman of the Moscow Government Committee on Insolvency (Bankruptcy) Affairs, in an interview with *Kuranty*, 30 April. Output has fallen dramatically in Moscow's manufacturing plants since 1990 - by 84% in light industry and by more than 90% in engineering. However, virtually no firm has been declared bankrupt. When a firm goes into debt with its suppliers or with tax payments, it is referred to the bankruptcy committee, which sets up a special interdepartmental commission of representatives from various government agencies to review each case. The committee has the power to force outside management on the firm (for up to 18 months), it can also grant the firm a waiver in its tax arrears. Saikin explained that he works on the assumption that, "There are some enterprises which it is simply necessary to support." As a result, many firms continue to exist in limbo, even though their production activities may be suspended for months on end - as is the case with the Lenin Komsomol Auto Plant, AZLK. Moscow city government has now created a Council on Restructuring Industry

under Deputy Mayor Valerii Shantsev whose purpose is to try to find investors to restart these plants. - Peter Rutland

TAMBOV STRUGGLES WITH HOUSING REFORM. The city of Tambov has been trying to rationalize its housing and utility services since 1994, and at the end of April raised rent and utility payments by 30-60% (ORT, 20 May). Mayor Vladimir Koval explained that there are 28 categories of persons entitled to subsidies of one sort or another, amounting to 98,000 of the city's 320,000 residents. The categories range from pensioners (who get a 40% discount on utility payments) to officials of the State Tax Service. - Peter Rutland

BUSINESS BRIEFS

-- **Kodak** (USA) and **Kompaniya Slavich** have begun producing photographic paper and chemicals at a \$10 million plant located in Pereslavl'-Zalesskii (Yaroslavl Oblast). The products will be used by a network of Kodak-Express microlaboratory franchises throughout Russia, *Finansovye izvestiya* reported 20 May. Initially the plant will use imported products, but plans call for eventual substitution with local materials. There are already 130 Kodak-Express laboratories in Moscow alone.

-- **Moscow city** retains first place among the Russian regions according to the level of foreign investment. In 1996, foreign investment in the Moscow economy reached \$4.3 billion, 66% of total foreign investment in the country. The most active Moscow investors come from Germany and Austria, followed by companies from Italy, France, Turkey, and South Korea. The US and Japan round out the list. Moscow Deputy Prime Minister Iosif Ordzhonikidze said that the city government does not expect a growth in investment in 1997. The city, however, will change its own investment strategy. For instance, over one third of all funds will now go to industry, compared to 14% previously. Additionally, more money will be allotted for creating business infrastructure and developing the hospitality industry. (*Segodnya* and *Finansovye izvestiya*, 20 May)

-- **Wrigley's** (USA) will build a chewing gum plant in St. Petersburg worth \$25 million. Construction will begin this month and the first products are due in December 1998. (*Finansovye izvestiya*, 15 May)

-- **Volgograd Oblast Governor Nikolai Maksyuta**, elected to office last year with the support of the Communist Party, has signed cooperation agreements with **Gazprom**, the country's major gas supplier, and a regional branch of one of Moscow's top banks, **Inkombank**, according to *Finansovye izvestiya* (15 May) and *Rabochaya tribuna* (17 May). Under the agreement, Gazprom is to increase gas supplies to the oblast and build new gas pipelines to peripheral locations. Inkombank will grant credits to state enterprises.

-- American pharmaceuticals company **Searle** and the **All-Russian Center for Molecular Diagnostics and Therapy**, a branch of the Russian **Biopreparat** company, have begun construction of a 65,000 sq ft plant in Izvarino, 15 km south-west of Moscow. The plant will manufacture a range of cardiovascular, gastro-intestinal, and anti-infective drugs and is due to open in 1999. The construction

cost is estimated at \$32 million, with a major share coming from USAID and \$6 million from Searle. Searle will own 75% of the plant's shares. (*Finansovye izvestiya*, 15 May; *The Financial Times*, 16 May; *Segodnya*, 17 May)

REGIONAL LINKS

-- (<http://ur.etel.ru/>) The Second Russian Economic Forum, dubbed by its sponsors the Russian Davos, takes place in Yekaterinburg 22 May. This site offers a draft version of the conference's resolutions and some of the presentations, including those prepared by Nikolai Shmelev and Yurii Maslyukov.

--- (<http://www.rosugol.ru/>) Rosugol's home page provides visitors with some of the key presidential and government orders concerning the coal industry, back issues of the publication *Ugol-kurer* (March 1997 being the most recent), and the 1995 plans for restructuring the coal industry.

REGIONAL PROFILE: OMSK OBLAST

Governor: Leonid Polezhaev

Leonid Polezhaev was elected governor in December 1995. At that time, Yeltsin permitted 11 of his appointees to hold gubernatorial elections before the presidential race. The presidential administration believed that he and the other governors allowed to stand for election had a strong chance of winning a popular mandate. Although the KPRF and LDPR were the big winners in the Duma elections held on the same day, Polezhaev was able to hold on to his seat.

Polezhaev graduated from the Omsk Agricultural Institute with a specialization in irrigation and then worked as an engineer in Karaganda Oblast, Kazakhstan, and Omsk Oblast until the late 1980s. He took a break from engineering for five years at the beginning of the 1980s when he served as a deputy head of the Karaganda *oblispolkom* (the Soviet era regional executive body). At the end of the decade, he was chairman of the Omsk *oblispolkom*. In 1990, Polezhaev was elected to the Russian Federation parliament and the Omsk Oblast legislature, which re-elected him to head the regional executive committee. Yeltsin appointed Polezhaev as governor in November 1991.

Despite his over 20-year membership in the Communist Party of the Soviet Union, Polezhaev has not cooperated with the party's successors after the 1991 coup attempt. He joined the pro-governmental Our Home Is Russia movement at its founding congress and is now a member of the movement's Political Council.

Other Local Leaders

Chairman of the Legislative Assembly - Vladimir Varnavskii, elected in April 1994

Brief Overview

Omsk Oblast lies on the West Siberian plain and shares a border with Kazakstan in the south, Tyumen Oblast in the west and north, and Novosibirsk and Tomsk oblasts in the east. Intensive development of

today's Omsk Oblast began after Cossack ataman Yermak's push into Siberia in the late 16th century. In 1716, the Omsk fortress was erected to protect Russia's southern borders. In the 17th-19th centuries, the Omsk region was a place of exile for various revolutionaries, including the Decembrists and participants in Polish uprisings against Russian Czarism. In the beginning of this century, migrants from the European part of Russia and Ukraine started to settle in the oblast, boosting the local economy. In 1913, over a dozen European companies had branches in the oblast exporting leather and wool.

The region's industries are now concentrated in cities and towns along the Irtysh, Om, Tara, and Osha rivers and the Transsiberian railroad. The city of Omsk is the main industrial center, housing over half of the region's population and 90% of its industry. However, due to the city's poor ecological situation, further industrial development is almost impossible, a situation which is likely to stimulate the growth of other oblast towns. Energy and machine building, mostly concentrated in defense plants, are the main industries of the region. Their output totals 65% of overall production. The oblast has ties with companies in over 50 countries, while its main business partners come from Cyprus, Germany, and China. Over half of the region's foreign export goes to third world countries.

Basic Facts

1995 Population (est.): 2,179,500 (1.47% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 1.63%

Agricultural production as percentage of all Russian production (1994): 1.69%

Average personal income index in July 1995: 66 (Russia as a whole = 100)

Price basket index in July 1995: 83 (Russia = 100)

Average back wages owed per person (September 1995): 60,100 rubles (Russian average = 37,100)

Urban population: 67.4% (Russia overall: 73.0%)

Student population (1993): 192 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 21.85%

Percent of population with higher education (1989 census): 9.7% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 25.5% (Russian average: 29.9%); Agriculture:

18.9% (12.8%); Trade: 9.8% (9.1%); Culture: 12.9% (13.6%); Management: 2.0% (2.3%)

Number of telephones per 100 families (1993): in cities : 37.4 (Russian average: 41.5); in villages: 18.9 (17.2)

According to a 1995 survey by Bank Austria, the krai is ranked 50th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Zyuganov: 36.99%/47.51% (first round/second round)

Yeltsin: 32.80%/46.23%

Yavlinskii: 8.96%

Lebed: 8.37%

Zhirinovskiy: 6.95%

Turnout: 73.78%/72.91% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 15.98%

Liberal Democratic Party: 15.91 %

Power to the People!: 8.44%

Our Home Is Russia: 6.53%

Women of Russia: 6.21%

Agrarian Party of Russia: 5.24%

Party of Workers' Self-Government: 5.13%

Communists -- Workers' Russia: 4.89%

Yabloko: 3.56%

Russia's Democratic Choice: 2.20%

Congress of Russian Communities: 2.13%

In single-member districts: 2 Power to the People!, 1 independent

Turnout: 68.40% (Russia overall: 64.37%)

1993 Constitutional Referendum

“Yes” -- 55.81% “No” -- 40.77%

1993 Parliamentary Elections

Liberal Democratic Party of Russia: 21.19%

Russia's Choice: 16.95%

Communist Party of the Russian Federation: 13.93%

Women of Russia: 10.72%

Agrarian Party of Russia: 8.53%

Democratic Party of Russia: 6.30%

Russian Movement for Democratic Reforms: 5.77%

Party of Russian Unity and Concord: 5.42%

Yabloko: 4.85%

From electoral associations: 1 Russia's Choice

In single-mandate districts: 2 independent, 1 Russian All-National Union

Turnout: 56.74% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 53.29%

Ryzhkov: 16.33%

Zhirinovskiy: 13.46%

Tuleev: 6.77%

Bakatin: 3.07%

Makashov: 2.48%

Turnout: 79.44% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95* [Russian regions on the eve of 1995 elections], Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam* [Results of the 17 December 1995 elections, regional breakdown], Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995* [State Duma elections 1995], Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii* [Governors of Russia], Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.
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TABLE OF CONTENTS

Special Research Report

Why Are Some Regions Doing Better Than Others?

Center-Periphery Relations

Russian Government Seeks Solution to Primorskii Energy Crisis

Center Attacks Nazdratenko, Lebed Defends Him

Luzhkov Returns to the Offensive

Patterns Of Regional Development

Lebedev Drops out of Nizhnii Novgorod Race

Luzhkov Attacks Homeless

Social Issues

Housing Reform in Samara

Economic Issues

Economic Forum Billed as "Russian Davos" Disappoints

Institute For Economics: Investment Shrinking

Chita Living Standard Plunges

Business Briefs

A Weekly Summary of Key Deals in the Regions

Foreign Ties

Novgorod Tax Policy Attracts Investors

Moscow Oblast Hopes to Double Investment in 1997

Polish Delegation Visits St. Petersburg
Regional Links
Rossiiskaya AZIYA
National News Service
Regional Profile: Kemerovo Oblast
Advertisements
ACE: Analysis of Current Events

SPECIAL RESEARCH REPORT

WHY ARE SOME REGIONS DOING BETTER THAN OTHERS?

by Kathryn Stoner-Weiss, Assistant Professor of Politics and International Affairs at Princeton University

One of the key questions today in the study of Russian politics is why some regions appear better able than others to weather the monumental changes of the transition period. A comparison of regional government performances in four oblasts, Nizhnii Novgorod, Saratov, Tyumen, and Yaroslavl, from 1990 until 1995 suggests that economic concentration and the resulting cooperation among political and economic elites played a key role.

Governments that had smooth policy processes were the same as those that were effective in producing and implementing policy and were also the most responsive to their constituents. Nizhnii Novgorod ranks at the top, Tyumen and Yaroslavl follow, while Saratov lagged consistently.

While Nizhnii Novgorod was by no means a post-socialist utopia, and compared to the performance of some Western subnational governments would likely have scored low, in the Russian context it was a region where policy processes were relatively smooth, policy outputs were more creative, and policy implementation abilities were better. Further, constituents in Nizhnii Novgorod, regardless of where in the oblast they lived (rural or urban locales), their levels of education, or their incomes, were consistently more enthusiastic about the performance of their regional government than were constituents in the other three regions. In short, residents of Nizhnii Novgorod were objectively better governed and knew it, while residents of Saratov in particular recognized the shortcomings of their regional government. Tyumen and Yaroslavl fell between these two extremes.

Variations in the structure of regional economies and the resulting political relationships that these engender explain the performance differences in the four oblasts. In regions where economies were concentrated in a particular sector, particularly Nizhnii Novgorod (defense) and Tyumen (energy), cooperative relations were established between organized economic interests (especially enterprise directors) and political actors. The embeddedness of social interactions in regions that resembled company towns focused regional interests and heightened the interdependence of economic and political actors as the destabilizing economic and political transition transpired. The concentration of the regional economy also narrowed the pool from

which political elites were drawn such that horizontal professional networks further helped to sustain credible commitments and collective action between political and economic actors.

The cooperation that arose from the concentration of the regional economy was such that the state included economic interests in the policy process, and economic interests gained material advantages from the state. In return, economic interests helped guarantee broad consensus on key issues and used their resources to promote government efficacy and legitimacy within society. These convergent interests therefore sustained consensus and higher government performance -- at least in the short term. Indeed, in the case of Tyumen, a considerable accomplishment in the first five years of representative government was maintaining the integrity of the oblast's borders in the face of mounting centrifugal pressures. The fact that Tyumen in 1997 is now confronted with a clear challenge to its geographical integrity demonstrates that the cooperative relationship between business and government can be easily threatened if concrete benefits to both sides do not continue to flow from it.

In Yaroslavl and particularly Saratov where the economies were more dispersed across sectors, competing economic interests were reflected in conflictual political dynamics between city and oblast (and to a lesser extent, between the legislative and executive branches at the oblast level) in Yaroslavl, and the oblast legislature and executive in Saratov. The results of these conflicts were more limited policy accomplishments in Yaroslavl than in either Tyumen and Nizhnii Novgorod, and immobilizing conflict in Saratov relative to all three of the other regions.

The conclusion that a higher degree of elite consensus leads to higher representative government performance, however, is unsettling from the perspective of the future of democracy and competitive markets in Russia's regions. One concern is that high degrees of elite consensus could as easily lead to oligarchy as to higher regional government performance. Responsiveness to emergent groups could decrease as elite relationships freeze.

This need not necessarily be the case. The incorporation of non-state interests into state decision making promoted stability and encouraged consensus on political goals. In the context of volatile post-Soviet Russia, the stability that cooperative arrangements between business and government brought allowed some regional governments to get things done. A record of achievement under the auspices of representative institutions may in fact build support for representative government rather than lead inevitably to authoritarianism and oligarchy across Russia's regions.

Nonetheless, the warning within this study is that while the concentration of the regional economy in some oblasts created elite relationships that enabled the new regional governments to accomplish policy goals in the short term, in the longer term these relationships may well have a negative effect on the growth of a market economy and democracy in Russia. Under certain economic structural conditions, transitional or crisis situations can engender cooperative relationships between key political and economic actors. In the short term, cooperation between political and economic elites may promote governability under the auspices of proto-democratic and proto-market institutions. In the longer term, however, these relationships may in fact prove problematic for the further development of democracies and markets in Russia's periphery. The potential risk to democracy in particular, stems from the potential for oligarchic rule by a relatively small and well-established group of economic and political elites. Thus, the local

heroes of Russia's regions today must be mindful that they do not become the nemeses of further political and economic development tomorrow.

This article is based on the author's forthcoming book, *Local Heroes: The Political Economy of Regional Government Performance*, (Princeton University Press, October 1997).

CENTER-PERIPHERY RELATIONS

RUSSIAN GOVERNMENT SEEKS TO SOLVE PRIMORSKII ENERGY CRISIS BY UNITING COAL, ELECTRICITY PRODUCERS

by Andrei Kholenko, First Deputy Editor of *Vladivostok*

VLADIVOSTOK--Primorskii Krai continues to face a severe energy crisis because of insufficient funding for the fuel-energy sector (See *IEWS Russian Regional Report*, 15 May and 22 May). To resolve this problem, First Deputy Prime Minister and Fuel and Energy Minister Boris Nemtsov and Governor Evgenii Nazdratenko on 20 May signed an agreement in Moscow to remove the Luchegorsk coal pit, which produces the cheapest coal in the region, from the Primorskugol company, and merge it with the Primorskii State Regional Electric Station (GRES), the largest heat and electricity generating station in the Far East, creating a unified company, the Luchegorsk Fuel and Energy Complex (LuTEK) (See *Vladivostok*, 22 May, <http://vl.vladnews.ru/>). The agreement now must obtain the approval of Prime Minister Viktor Chernomyrdin. While Nazdratenko and the general director of the Primorskii GRES, Walter Kozlov, claim this step will go a long way in resolving the root causes of the energy crisis, the general director of the Luchegorsk pit, Georgii Shvets, believes that it does not address some key issues.

Currently, the Primorskii GRES, using Luchegorsk coal, is producing about 30% of the energy Primorskii Krai needs. If it were working at full capacity, it could theoretically cover about 90% of the krai's demands.

In addition to merging the two companies, the government is also planning to create a working group to resolve Primorskii's energy problems. The group's members will include representatives of the Ministry of Fuel and Energy, the Economics Ministry, the Unified Energy System company, Rosugol, and the Finance Ministry.

The idea of uniting the coal and energy producers within one company has been debated since the 1970s. At that time, the authorities were planning to begin working the Luchegorsk pit at the site of the Bikin deposit and were considering the construction of the Primorskii GRES next to it. The idea made practical sense, cheap coal and minimal transportation costs would produce inexpensive electricity. But the socialist planners decided to go their own path, ignoring economic rationality. Now there is an energy crisis in Primorskii Krai.

Discussions about uniting the coal pit and the Primorskii GRES resumed last year when the energy crisis became extraordinarily acute. Primorskii Krai Governor Evgenii Nazdratenko initiated the dialog with the support of the leadership of the Luchegorsk energy and coal

workers. The arrival of then First Deputy Prime Minister Aleksei Bolshakov in Luchegorsk in October 1996 strengthened the hope that the government would also support this idea.

On 22 May, the general director of the Primorskii GRES, Walter Kozlov, and the general director of the Luchegorsk pit, Georgii Shvets, accompanied by their lawyers, left for Moscow to discuss the unification. Each brought a team of lawyers. Before departing, Kozlov said that he was in favor of the decision. He also noted that, "in our conditions it will be difficult to implement. We must not only overcome administrative barriers, but the entrenched thinking of many of the economists working in the government and, of course, here on the ground." He believes that the benefits are clear: uniting the two enterprises will immediately halt the increase in energy prices and even start to reduce them. The energy workers will be stimulated to completely engage the station's unused potential. Moreover, Kozlov asserts that the miners will have a strong interest in increasing the quality of coal they deliver because they will realize that if the coal does not burn, there will be no profit -- the kilowatts produced will belong to all of the workers. He also claims that it will be simpler to resolve the social problems of both groups of workers when they are united in one company.

Shvets was much less optimistic. "Whatever Nemtsov and Chernomyrdin decide, that's the way it will be. We will see what the benefits are. One problem is that these are two different companies, and no one has asked the stockholders what they think of the union. However, we have a rational beginning. In my view, we should have signed contracts with the good employees a long time ago and trimmed the fat, many people's thinking has remained the same as it was in 1987."

Shvets was even more categorical in answering a similar question in March. "The problem is not in unifying the two companies, but in the lack of payments. If they pay us money, there will be a sufficient amount of coal because we could guarantee a uninterrupted supply of diesel fuel and spare parts to the miners."

Three years ago Primorskii Krai Governor Evgenii Nazdratenko was against the privatization of the fuel-energy sector. He argued that it was necessary for the state to oversee the activity of this sector. Today, when there is a serious energy crisis in Primorskii Krai, the Russian government is starting to understand his position.

CENTER ATTACKS NAZDRATENKO, LEBED DEFENDS HIM. In his meeting with Primorskii Krai Evgenii Nazdratenko on 23 May, First Deputy Prime Minister Anatolii Chubais asked him to resign, *Vladivostok* (<http://vl.vladnews.ru/>) reported 27 May. At the same time, First Deputy Prime Minister Boris Nemtsov charged that responsibility for the krai's energy crisis lay with Nazdratenko and the rest of the krai's leadership and that those who blocked a solution would be "swept away." (Russian Public Television, 22 May) The krai administration had initially hoped that former Governor Nemtsov would back his old colleague in the federal government.

In response to the federal campaign against the governor, Aleksandr Lebed warned that firing Nazdratenko would allow the Chinese to gain control of some Russian territory that is currently the subject of dispute and irreparably damage Russia's national interests. Additionally, the governor's press service blamed the Moscow media for attacking Nazdratenko. NTV shot back on 24 May, claiming that Nazdratenko's strategy for hanging on to power was to declare

that "whoever is not with the governor, is selling out the interests of the krai's residents." Nazdratenko survived similar pressure from Moscow last year, but the newspaper *Vladivostok* asked "Are these the governor's last days?" in its 27 May issue.

On 23 May President Boris Yeltsin replaced his representative in the region, Vladimir Ignatenko, who was considered close to Nazdratenko, with Viktor Kondratov, the local head of the Federal Security Service (FSB), who is not friendly with the governor, *Kommersant-Daily* reported 27 May. During the fall of 1995, a listening device was found in Nazdratenko's office. The local FSB investigated the case, but did not report its findings to the public or Nazdratenko, leaving lingering suspicions about the agency's complicity in the incident among Nazdratenko's deputies. Vladimir Putin, the head of the Main Oversight Department for the presidential administration, claimed that Kondratov was appointed because he was "not involved with organized crime." *Vladivostok* pointed out that Kondratov is from Odessa, unlike Ignatenko, who is a local. Nazdratenko has already appointed Ignatenko as his 12th deputy governor, reflecting the clan-like culture of the krai and the insiders' tendency to protect their own.

Kondratov will retain his FSB job as he takes over the responsibilities of the presidential representative. In his first press conference on 28 May, he said that he, not Nazdratenko, will now coordinate the activities of the federal agencies in the far east, including the navy, army, law enforcement bodies, and tax collection services, *Kommersant-Daily* reported on 29 May. Judging from his first moves, Kondratov intends to crack down on Nazdratenko and his associates. He reported that misuse of funds by the krai authorities had cost the state 100 billion rubles. Additionally, he blamed the region's energy problems on the corruption and incompetence of the leaders of the krai and its major energy producers. - Robert Orttung

LUZHKOV RETURNS TO THE OFFENSIVE. Addressing a conference of mayors in Krasnodar on 23 May, Moscow Mayor Yurii Luzhkov blasted the government's economic policies, from privatization to housing reform, claiming that they amounted to an "economic blockade" of Moscow, *Itar-Tass* reported on May 23. Luzhkov claimed that he was told by the State Tax Service that Moscow accounted for 43% of federal taxes collected in April, and for \$4.2 billion of the stock of \$4.8 billion foreign investment in Russia. He complained that despite its contributions to Russia's economic development, the federal government has been cutting subsidies to Moscow's metro, highway building program, and food purchasing fund. He also boasted that Moscow had done a great deal to encourage small business, which has been stifled by national tax policies. *Rabochaya tribuna*, a left-wing paper thought to be close to Gazprom, reported in its May 27 issue that Luzhkov was warmly received, and crowed that "a bloc of mayor-statists is being established to oppose the renovated Russian government. These mayors consider the interests of ordinary people to be superior to any recommendations of the West." - Peter Rutland

PATTERNS OF REGIONAL DEVELOPMENT

LEBEDEV DROPS OUT OF NIZHNI NOVGOROD RACE. Acting Governor Yurii Lebedev dropped out of the race to succeed former Nizhnii Novgorod Governor Boris

Nemtsov, *Rossiiskaya gazeta* reported on 29 May. He said that the "party of power" should have a single candidate in the race. Our Home is Russia has backed Nizhnii Novgorod Mayor Ivan Sklyarov who is leading the polls (See *IEWS Russian Regional Report*, 22 May). Although Nemtsov had not publicly stated a preference, local observers assumed that he backed Lebedev in the race. In a move sure to please voters, Sklyarov announced 26 May that the city would not raise its rates for municipal services before the end of the year (<http://www.inforis.ru>). - Robert Orttung

LUZHKOV ATTACKS HOMELESS. Luzhkov is carrying out a campaign against the homeless on Moscow's streets, according to the Committee for Aid to Refugees and Forced Migrants "Civil Cooperation" (Grazhdanskoe sodeistvie), *Express Khronika* reported on 23 May. The organization claims that Moscow's regulations on the homeless and people without citizenship violates the Russian constitution and international norms. According to the Committee's data, there are 100,000 refugees and forced migrants in Moscow from the Caucasus region and only 10% of them have official status. "Russia is deceiving the international community, by giving the appearance that it has accepted the UN convention on refugees, and sending false data to the Council of Europe..." according to Civil Cooperation Co-Chairwoman Svetlana Gannushkina. President of the Foundation for Aiding Afghan refugees Khabibulla Faridun accused the Moscow police of beating 13 of his countrymen on 5 May. - Robert Orttung

SOCIAL ISSUES

HOUSING REFORM IN SAMARA. Last year the city of Samara started its own program aimed at cutting housing subsidies. Residents are now supposed to meet 60% of the cost of maintenance and utilities - twice the current national average (ORT, 26 May). However, half of the city's population are claiming that they are eligible for subsidies, which are given to any family obliged to pay more than 10% of its income on housing. As a result the local housing offices are besieged by long lines of residents applying for subsidies. The regional trade union has taken the city administration to court, claiming the new fees violate federal laws. Evidence presented to the court showed that although resident fees have increased by 150% over the past year, city spending has only fallen by 5%. This evidence seems to bear out the critics of Boris Nemtsov's housing reform, such as Moscow Mayor Yurii Luzhkov, who warn that the reform will create social unrest and will not result in substantial savings. On the other hand, the desperate state of local budgets means that the old status quo was also not sustainable. Many cities spend 40% of their revenue on housing, leaving them with no money to pay doctors and teachers. - Peter Rutland

ECONOMIC ISSUES

ECONOMIC FORUM BILLED AS "RUSSIAN DAVOS" DISAPPOINTS. On 22 May a number of leading economists and industrialists gathered in Yekaterinburg at the initiative of Governor Eduard Rossel to discuss the economic situation in Russia and to devise a program

which will serve as an alternative to the monetarism of the current government. (*Nezavisimaya gazeta*, 23 May). This is the second such gathering: the first "Russian Davos" (named after the annual meetings in the Swiss resort) took place in Yekaterinburg in May 1996, and was widely seen as a vote of support for Boris Yeltsin's election campaign from the political elite of the Urals.

This year's "Davos" adopted a more critical tone, but failed to produce a coherent alternative program. The proceedings of the meeting will disappoint those observers of the Russian scene who hope that regional elites may come up with a new set of policy initiatives which are more in tune with the economic situation beyond the Moscow Beltway than the government's current policies. Another disappointment was that in contrast to last year no leading government officials bothered to attend. Among those taking part were Mikhail Shmakov, the head of the Federation of Independent Trade Unions, and Sergei Yegorov, president of the Association of Russian Bankers. The conference heard presentations from Andrei Nechaev, a former economics minister turned banker; Yurii Maslyukov, the communist who heads the Duma's Economic Policy Committee; and well-known reform economist Nikolai Shmelev (in the Gorbachev era, Shmelev had been the first to publicly proclaim that the Soviet economy was on the rocks). Each presenter's analysis of the country's problems was remarkably similar to the government's own analysis of the situation -- from the crisis in tax revenues to the need to tighten regulation of the natural monopolies. (For the conference documents, see <http://ur.etel.ru/>)

The meeting adopted a final document which criticized the government for adhering to its current policy of tight money and further liberalization, and for assuming that the economy will pull itself out of the ongoing recession without any change in the state's policy. The document calls for the equivalent of a "New Deal" for Russia - a policy of active state intervention in industry to revive demand and solve the chronic problem of non-payments. The new policy must have a social democratic character "with Russian colors." Such a policy could provide the "national idea" around which healthy social forces can rally. (Last July Boris Yeltsin called for intellectuals to come up with a new "national idea" to give Russia a sense of direction.)

Nechaev called for a deepening of market reform so that it involves and benefits broader sections of society beyond the current managerial elite. He argued that the further pursuit of real market reform is only possible if the role of the state is strengthened, in order to enforce clearly defined property rights and to make the legal system and not "criminal structures" the most reliable vehicle for the resolution of disputes. Shmelev's paper was a crisp analysis of the pluses and minuses of the government's economic strategy since 1991. Although he provocatively called for the restoration of a Gosplan-like organization to develop a national economic strategy, in the end most of his policy proposals are identical to those being promulgated by the government - a new tax code, reform of the national monopolies, etc. All three presentations called for a halt to foreign trade liberalization and the introduction of limited protectionist measures.

The participants of the Yekaterinburg forum seemed to share the government's technocratic approach to policy making. While they acknowledge that there is something fundamentally wrong with the way political and economic institutions are working, they do not propose fundamental institutional reform, just new policy packages. - Peter Rutland

INSTITUTE FOR ECONOMICS: INVESTMENT SHRINKING. The volume of investment continued to fall in all of Russia's regions, though more rapidly in some places than others, according to a survey conducted by the Academy of Science's Institute for Economics. The investment climate is worse in the east than in the west. The institute's experts suggest that the difference is caused by the undeveloped infrastructure, high transport costs, and unreliable energy supply which make construction more expensive in Siberia and the Far East, *Vek* (no.17-18) reported. Despite the overall decline, most regions are taking active measures to attract investment. For instance, 16 regions offer tax breaks to investors and 18 regional administrations invest state funds in projects which are likely to be profitable.

The most unfavorable regions for investment are: Mordoviya, Chuvashiya, Marii-El, Udmurtiya, Khabarovsk Krai, and Bryansk, Kirov, Saratov, and Pskov oblasts. Krasnodar and Stavropol krais and Rostov Oblast, which are the largest agricultural regions in the country, offer relatively good conditions for agricultural investors. According to the survey, the best regions for investment are Bashkortostan, Tatarstan, and Belgorod, Vologda, Lipetsk, Nizhnii Novgorod, Samara, Sverdlovsk, and Chelyabinsk oblasts. These regions have the highest level of economic development and have suffered the smallest decrease in production. The survey did not include Moscow, St. Petersburg, Tyumen Oblast, and Krasnoyarsk Krai, the regions that occupy the top spots in attracting overall investment. - Anna Paretskaya in Moscow

BUSINESS BRIEFS

-- A **Toyota** (Japan) dealership and service center has opened in Yekaterinburg, *Uralskii rabochii* (<http://ur.etel.ru/>) reported 23 May. There are currently about 4,000 Toyota owners in the city and the new dealer hopes to sell 10-15 cars a month. The cars will be extremely expensive because of high import fees.

-- The Russian oil company **Sidanko** decided to set up a branch in the East Siberia and Baikal region that will coordinate the company's activity in Irkutsk and Chita oblasts, Krasnoyarsk Krai, Buryatiya, and Sakha (Yakutiya). The company, together with **Nafta-Sib** and the **Association for Economic Cooperation in the Far East and Baikal Area** will also set up **Sidanko-Vostok Ltd.** which is to supply the area with oil products. Sidanko will hold 54% of shares in Sidanko-Vostok Ltd. (*Kommersant-Daily*, 27 May).

-- **LUKoil** President Vagit Alekperov has signed cooperation agreements with leaders of Adygeya and Dagestan. Under the agreement with Dagestan, the company will participate in tenders for extracting oil on the republic's territory and in adjoining areas of the Caspian Sea. In addition, the company will also build several gas stations in the republic. LUKoil's agreement with Adygeya foresees the supply of oil products to the republic's industries, agriculture, and individual consumers (*Kommersant-Daily*, 23 May).

-- A consortium of Italian banks headed by **Mediobanca** and **Instituto Mobiliare Italiano** signed an agreement with Russia's **Vneshekonombank** for a loan of 420 billion Italian liras

(about \$260 million) which will fund equipment purchases by Russia. The loan will be given at minimum international interest rate to be paid back during the course of 5 to 8.5 years (*Segodnya*, 23 May).

FOREIGN TIES

NOVGOROD TAX POLICY ATTRACTS INVESTORS. Foreign investment in Novgorod Oblast has increased dramatically over the last three years. The oblast received \$3.5 million worth of foreign investment in 1994, \$70 million in 1995, and \$154 million last year. First Deputy Governor Valerii Trofimov claims that the increase is the result of the oblast's tax policy, *Vek* (no.17-18) reported. Local manufacturing companies which attract foreign investors do not have to pay any local and regional taxes until they realize a full return on the money they have invested. Additionally, the oblast has declared special tax zones in its four least developed districts -- Batetskii, Volot, Poddore, and Marevo. Companies operating in these districts not only pay no local and regional taxes but also receive compensation for the profit tax they pay to the federal budget. The oblast also has an attractive property tax, under which buildings and the land under them are subject to taxation, but not equipment. This regulation stimulates development of new technologies, according to Trofimov.

To bring in more foreign investment, each local administration compiled literature describing resources available within their jurisdiction, including land, communications, and major resources. Additionally, the oblast administration is now working on land, ecology, and construction codes which, it hopes, will create a stable real estate market and stimulate investment, foreign as well as Russian. - Anna Paretskaya in Moscow

MOSCOW OBLAST HOPES TO DOUBLE INVESTMENT IN 1997. According to estimates by the Moscow Oblast administration, foreign investment in the region in 1997 will reach \$700 million, almost double that of the previous year, Deputy Governor for Foreign Economic Ties Nikolai Svistunov told *Vek* (no.17-18). Over the last five years, the oblast has received about \$1 billion from outside investors and has signed cooperation treaties with about 30 regions and 17 companies from 19 countries. About 400 joint ventures have been opened in the oblast since 1992, creating over 18,000 new jobs. The region's major foreign partners come from Germany, Italy, France, Great Britain, and the US; the oblast continues exploring markets in Turkey, Iran, and North Korea. At the same time, the oblast maintains ties with the countries of the former Soviet Union. After signing an agreement between the "capital" oblasts of the eight CIS countries, Moscow Oblast exports to those regions doubled. Svistunov, however, accused the federal authorities of blocking further development of direct ties between regions and foreign investors. He suggested that the State Duma must pass new laws on free economic zones and foreign investment which will more clearly determine regions' rights and responsibilities with regard to foreign investment. - Anna Paretskaya in Moscow

POLISH DELEGATION VISITS ST. PETERSBURG. Janush Shimanskii, the Polish government's regional representative to St. Petersburg, met with St. Petersburg Governor Vladimir Yakovlev, First Deputy Governor Dmitrii Sergeev, and Leningrad Oblast Deputy

Governor Valerii Goloshchapov on 4 May, *Nevskoe vremya* reported. The two sides discussed the possibility of the Russians producing cars for the Polish metro and the construction of a food processing plant in St. Petersburg outfitted with Polish equipment. The Poles want to sell buses, medicine, and fruits and vegetables in Russia. A variety of other possibilities, including banking, insurance, reconstructing St. Petersburg's historic downtown, and building a road around the city, were also discussed. Several Polish cities (Suwalki, Olsztyn, Gdansk, and Elblag) expressed interest in holding events highlighting St. Petersburg businesses and sponsoring similar events in Russia's second capital. The representative from Gdansk expressed the hope of restoring the ties between the two cities that existed in 1989. - Robert Orttung

REGIONAL LINKS

-- (<http://www.park.ru/INFO/info?w+infosystem/press>) The newspaper *Rossiiskaya AZIYA* provides detailed information about economic and business conditions in Siberia. Granat Park provides it free of charge. When prompted for log in name and password, simply type "guest" in each slot.

-- (<http://www.nns.ru/>) National News Service provides extensive information about many of Russia's regions, as well as biographical data on leading national and regional politicians. Unfortunately, many of the pages have not been updated in more than a year.

REGIONAL PROFILE: KEMEROVO OBLAST

Governor: Mikhail Kislyuk

Mikhail Kislyuk is now the only governor who was not popularly elected and is unlikely to hang on to his seat when voting is finally scheduled.

His political career began in the summer of 1989 when he stood at the head of the miners' strike against the government of USSR Prime Minister Nikolai Ryzhkov. After the strike was over, Kislyuk, a mining engineer, helped found the Kuzbas Workers' Union and was in the leadership of the Union of Kuzbas Workers' Committees. The next year, he was elected to the Russian Federation parliament and the regional legislature. Supported by the workers' committees, he sought election as the legislature's chairman, but lost to Aman Tuleev and became his deputy.

After the August coup attempt, when Kislyuk was among the defenders of the Russian parliament building in Moscow, President Yeltsin appointed him oblast governor instead of Tuleev, who also had been the chairman of the regional executive committee (*oblispolkom*) and, despite Yeltsin's order, supported the coup.

The regional legislative assembly, dominated by left-wing deputies, constantly opposed Kislyuk, with the dispute becoming particularly heated in October 1993 during Yeltsin's clash with the federal parliament. While Kislyuk called on both the president and the parliament to compromise, the oblast legislature supported the parliament. In the end, Kislyuk disbanded the assembly on Yeltsin's order.

Kislyuk quickly came into conflict with the next assembly which was elected in early 1994 and also dominated by the Communists. However, the deputies were ill-disciplined. When their term of office was about to expire, they were unable to gather a quorum to extend their term, in accordance with a presidential decree allowing regional legislatures to stay in office for an additional two years. In March 1996, Kislyuk disbanded the assembly by decree for a second time, but a new election could not be held because the assembly had yet to pass a new electoral law. In addition, the oblast could not schedule a gubernatorial election for the same reason.

Legislative elections were finally held in December 1996. The new assembly is trying to come to an agreement with Kislyuk over an electoral law for gubernatorial elections. The assembly wants to reduce the minimum turnout requirement from 50% to 25%, while the governor claims such a threshold is too low and a new governor elected with such a low turnout would not really be legitimate. However, many claim that Kislyuk is blocking the law to stay in office as long as possible. If elections are held with the 50% barrier but the actual turnout is lower, he would stay in office until the turnout requirement is met in repeat elections. Kislyuk has asked Yeltsin to schedule the elections for October.

Other Local Leaders

Chairman of the Legislative Assembly -- Aleksandr Filatov was elected to this post in January 1997. He is a former first secretary of the Leninsk-Kuznetsk city CPSU committee, and was backed by CIS Minister Aman Tuleev's Popular Power, the strongest left-wing movement in the region.

Brief Overview

Kemerovo Oblast, often called Kuzbas after the Kuznetsk Coal Basin, is located in South-Western Siberia, where the West-Siberian Plain meets the South Siberian mountains. The oblast, 95,700 sq km, shares a border with Tomsk Oblast in the north, Krasnoyarsk Krai and Khakasiya in the east, Altai Krai in the south, and Novosibirsk Oblast and Altai Republic in the west.

The oblast's oldest city, Kuznetsk (after 1961, Novokuznetsk) was founded in 1618, soon after Cossack Ataman Yermak's push into Siberia. It remains the largest city in the region, exceeding even the oblast capital, Kemerovo. The region is one of the country's most urbanized. Over seventy percent of the population lives in nine regional industrial centers.

The Kuznetsk Coal Basin is one of the biggest in the world. The oblast extracts over 30% of the Russia's total coal production. The Kuzbas is the main fuel and energy base for the eastern part of Russia and its significance has grown after the Soviet Union collapsed. The region's other industries, such as machine construction, chemicals and metallurgy, are based on coal mining.

Basic Facts

1995 Population (est.): 3,077,900 (2.08% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 4.01%

Agricultural production as percentage of all Russian production (1994): 1.69%
Average personal income index in July 1995: 137 (Russia as a whole = 100)
Price basket index in July 1995: 91 (Russia = 100)
Average back wages owed per person (September 1995): 137,400 rubles (Russian average = 37,100)
Urban population: 86.8% (Russia overall: 73.0%)
Student population (1993): 120 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 25.21%
Percent of population with higher education (1989 census): 8.0% (Russia overall: 11.3%)
Percent of population working in (1993): Industry: 40.5% (Russian average: 29.9%); Agriculture: 7.3% (12.8%); Trade: 6.6% (9.1%); Culture: 10.8% (13.6%); Management: 1.6% (2.3%)
Number of telephones per 100 families (1993): in cities : 28.8 (Russian average: 41.5); in villages: 18.6 (17.2)
According to a 1995 survey by Bank Austria, the oblast ranked 46th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Zyuganov: 38.88%/51.54% (first round/second round)
Yeltsin: 23.02%/41.54%
Lebed: 15.29%
Zhirinovskiy: 11.63%
Yavlinskii: 5.34%
Turnout: 66.62%/62.99% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 48.05%
Liberal Democratic Party: 12.65%
Party of Workers' Self-Government: 7.06%
Women of Russia: 3.54%
Our Home Is Russia: 3.51%
Yabloko: 2.89%
Russia's Democratic Choice: 2.78%
Congress of Russian Communities: 1.81%
Forward, Russia!: 1.81%
Communists -- Workers' Russia: 1.63%
Agrarian Party of Russia: 1.43%
In single-member districts: 2 independent, 2 Communist Party of the Russian Federation
Turnout: 61.11% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 59.75%

"No" -- 36.16%

1993 Parliamentary Elections

Liberal Democratic Party of Russia: 29.42%

Russia's Choice: 13.74%

Women of Russia: 10.65%

Communist Party of the Russian Federation: 9.57%

Democratic Party of Russia: 7.45%

Yabloko: 6.83%

Russian Movement for Democratic Reforms: 6.47%

Party of Russian Unity and Concord: 5.71%

Agrarian Party of Russia: 5.61%

From electoral associations: 1 Agrarian Party of Russia

In single-mandate districts: 1 Women of Russia, 3 independent

Turnout: 50.79% (Russia overall: 54.34%)

1991 Presidential Elections

Tuleev: 44.71%

Yeltsin: 39.63%

Zhirinovskiy: 5.80%

Ryzhkov: 5.07%

Makashov: 1.31%

Bakatin: 1.03%

Turnout: 69.74% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections]*, Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown]*, Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995]*, Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii [Governors of Russia]*, Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.

Compiled by Anna Paretskaya

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TABLE OF CONTENTS

Dagestani Perspective

Wahhabis, Sufis Fail to Agree Following Bloodshed
Three Alarming Trends

Patterns of Regional Development

Leading Geographer Evaluates "The Race of the Regions"
Gubernatorial Candidates Registered in Nizhnii Novgorod
Udmurtiya Likely to Introduce Presidency

Center-Periphery Relations

Nemtsov Visits Yamal-Nenets

Ethnic Conflict and Regional Separatism

Russia's Leaky Borders in the Caucasus

Sectoral Analysis

Chocolate Wars: Moscow Giants Buy Regional Confectioners

Business Briefs

A Weekly Summary of Key Deals in the Regions

Regional Links

Gubernatorial Elections on the WWW

Regional Profile: Tomsk Oblast

Advertisement

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DAGESTANI PERSPECTIVE

WAHHABIS, SUFIS FAIL TO AGREE FOLLOWING BLOODSHED

by Nabi Abdullaev, Political Editor, *Novoe Delo* (Dagestan)

MAKHACHKALA- The long-awaited joint press conference between the Dagestan Muslim Spiritual Department (DUMD) and the representatives of the Wahhabis took place 27 May. It was held under the aegis of the Dagestani government represented by Deputy Prime Minister Said Amirov. On 12-13 May the two groups clashed in the village of Chabani-Makhi (See *IEWS Russian Regional Report*, 15 May 1997). During the conflict two people were killed, three hospitalized, and eighteen Wahhabis were briefly taken hostage before order was restored. The DUMD is an electoral body headed by the republic's Islamic spiritual leader. The current mufti, Saed-Muhammad-Hadzhi Abubakarov, was elected two years ago and radically transformed the group's policy. It now inserts itself into all aspects of Dagestan's political and social life.

The 27 May event wasn't much of a press conference, however. The two hour discussion was really a religious argument, with numerous references to a variety of texts, to prove the truthfulness and purity of the particular branch of Islam the speaker represented.

The DUMD took an uncompromising position and refused to recognize its opponents as discussion partners. Abubakarov charged that the crisis would be resolved only when there are no longer any Wahhabis on Dagestani territory. Moreover, one of Dagestan's deputy procurators claimed that the Wahhabis had violated a number of laws by holding weapons and creating armed units. The two sides did not reach any sort of compromise. Intolerance and a lack of desire to seek out constructive solutions characterized the meeting.

In their own press conference before the joint appearance, the Wahhabis claimed that the media was trying to make an enemy out of them by linking them to Middle Eastern terrorists. They charged that the DUMD is seeking to monopolize control over the republic's religious life. The Wahhabis admit to the possession of weapons, but only for self-defense, a right granted them by the Koran. They accept the constitution and secular laws only to the extent that they don't contradict the Koran, and the possession of weapons is such a case. They also argue that they have the right to keep weapons because other groups, whether ethnic, financial, or mafia, already have them. However, the Wahhabis said that they did not want to introduce Islamic law in Dagestan because the next day it would be necessary to cut off the hands of one half of the population for theft and taking bribes.

In an interview following the press conference, Abubakarov charged that Wahhabism "is not an Islamic movement. Although it wears the mask of Islam, it is a pseudo-religious movement created to propagandize certain ideological, political, and extremist goals." He charged that the Wahhabis gain foreign support from the East, and that this support often has financial roots in the West. He also claimed that the Wahhabis were handing out money and cars to people who would spread their credo.

Abubakarov explained his desire to expel the Wahhabis from Dagestan by asserting that "if the authorities don't take a brutal (*zhestokost*) position, the law doesn't work, and people are killed. Someone has to be brutal."

DAGESTANI OVERVIEW: THREE ALARMING TRENDS

by Eduard Urazaev, Political Correspondent, *Novoe Delo* (Dagestan)

MAKHACHKALA - An analysis of events during April and May in Dagestan reveals three alarming trends:

1. The Situation Remains Tense

The authorities' desire not to exacerbate the tension in Khasavyurt following the election of Saigidpashi Umakhanov as mayor is understandable. Umakhanov is an ethnic Avar. To protest the vote, thirty out of forty members of the local legislature in the Khasavyurt district and 13 out of 25 deputies of the Khasavyurt city assembly resigned. Those who gave up their seats were all Chechens and Kumyks. (For background information on these events, see *IEWS Russian Regional Report*, 8 May.) It seemed that after the State Council's announcement that it planned to adopt a law protecting the rights of indigenous ethnic minorities and the Supreme Court's decision to validate the election, the matter would be resolved peaceably. Probably, therefore, the first reaction of the authorities to the news about the decision of the district and city council members to resign was something like irritation combined with a disappointing incomprehension of the situation on the part of some officials.

In reality, the only mass action in Khasavyurt was a demonstration on 12 May in which 500 people participated. Is it possible to conclude that the people are now satisfied with the policy of the Dagestani authorities? Judging by the decision of the city and raion deputies to resign, one can speak of a political crisis in local government. The mass resignations constitute a unique event in Dagestan's history. It appears that the authorities have underestimated the problem. Without being convinced that their actions reflected the opinion of their voters, the deputies would hardly have decided on such a form of protest. They know very well what they are losing and what kind of risk they are taking! It seems that both sides fear "losing face" if they take a step toward compromise.

Several political groups have tried to use the situation for their own goals. There is much truth in the observation that group and personal interests, rather than ethnic interests, are at stake here. But it is also true that national pride has been offended. However much it is said that dividing people along ethnic lines is disgraceful or that it doesn't matter who is elected mayor, the majority of Dagestanis know that all things being equal, the presence of members of their ethnic group in power means they can expect the authorities' cooperation and support. When a member of one ethnic group loses an office to a person of different ethnicity, it is a loss for the entire community.

In heated discussion, some suggest either "erasing ethnic identity" and treating everyone as an individual or carrying "national separation" to its logical conclusion. It would be impossible to do either at the moment. It is necessary to avoid extremes and achieve the peaceful coexistence of different ethnic groups and create laws that will balance their interests, taking into account historical traditions. Remember, the ethnic-based quotas in the Dagestani parliament guaranteed that the 1995 elections were conducted peacefully.

2. A Series of Strange Explosions

There has been a series of nearly a dozen explosions in Dagestan during the last two months. Most recently, two bystanders died when a bomb exploded under the car of Deputy Prime Minister Said Amirov in Makhachkala on 28 May. Amirov was not in the car at the time. On 1 June a bomb blast on one of the capital's busiest streets killed a nearby businessman. The large number of blasts in such a short period is unprecedented. An analysis of the targets of the blasts shows that the intended victims are reasonably important leaders of various organizations. However, the attacks have been carried out using a variety of different methods and in various parts of the republic, although there have been several in both Makhachkala and Khasavyurt.

It is reasonable to assume that the blasts are intended as a warning. It is unlikely that they are part of a unified plot to scare people and destabilize the situation in the republic. However, it is clear that the wide use of explosive devices marks a new level in the criminalization of society.

3. Outsiders' Opinions of Us

The first two trends shape the evolution of the third. When it was filled with stories about refugees and the conflict with Chechnya, the Russian media presented Dagestan, if not in a friendly light, then at least with sympathy. In recent months, following the November 1996 explosion in Kaspiisk which killed 65 people in a nine-story apartment building, crime in the republic has become one of the most common topics in the Russian media. Stories have begun to appear that openly describe the situation in the republic as criminal and predict a bleak future because of both the on-going chaos in Chechnya and the increasing level internal inter-ethnic conflict.

PATTERNS OF REGIONAL DEVELOPMENT

LEADING GEOGRAPHER EVALUATES "THE RACE OF THE REGIONS." Presidential Council member Leonid Smiryagin published an article in *Rossiiskie vesti* on 20 May in which he analyzed political and economic developments in Russia's regions. He warned against treating regional development as a "race" to implement market reform, and stressed the importance of studying the specificity of each region. (He recalled the old joke about the doctor who reports that the average temperature in the hospital is normal -- half way between the fever ward and the morgue.)

Diversity is the dominant feature, leading Smiryagin to conclude that it is impossible to say whether "the territorial structure of our society is developing toward cohesion or divergence." In Soviet times the regions were held together by the "hoop" of political control and by the fact that the national economy was planned as an integrated unit. Regions were converging in terms of the main socio-economic indicators after 1965, but this trend was reversed after 1985. After 1991 diversification has accelerated, since "In some regions the reforms are going full speed, while in others they have barely begun." The main threat to national integrity is not so much the eruption of open conflicts, but "a hidden process of social disintegration on a regional scale." The state has done little to develop a coherent policy to tackle the issue, meaning that "the public's complaints that our state has no regional policy appear entirely justified."

Smiryagin identifies ten regions which have been able to maintain their industrial production at more than 60% of the 1990 level (while nationally the average is 40%). They are the republics of Yakutiya (Sakha), Tatarstan, and Khakasiya and Vologda, and the Ulyanovsk, Lipetsk, Tyumen,

Belgorod, and Tomsk oblasts. At the other end of the scale a dozen regions have seen industrial output fall to less than 30% of 1990 level: Bryansk, Ivanovo, and Pskov Oblasts, Kalmykiya, Mordoviya, Khabarovsk Krai, the Jewish Autonomous Oblast, and most of the North Caucasus republics. Smiryagin sees a pattern of increasing dispersal of industrial production, with the Far East and Murmansk doing well in comparison to the central regions around Moscow. (The share of the latter six regions in national industrial output fell from 18% in 1993 to 11% in 1996.)

In terms of living standards, as measured by the ratio of pay to the regional subsistence level, one finds the highest incomes in Tyumen Oblast, followed by Krasnoyarsk Krai, Kemerovo Oblast, Tatarstan, and Murmansk Oblast, while the lowest incomes are in the North Caucasus, Kalmykiya, Udmurtiya, Mordoviya, Tyva, Altai republic, and the oblasts of Penza, Chita, Kirov, and Saratov. In 1996 Moscow dropped from 14th to 21st place in this measure, due to the high cost of living. However, Smiryagin notes that statistical problems - in particular the underreporting of the black economy -- mean that this data must be used with caution. - Peter Rutland

GUBERNATORIAL CANDIDATES REGISTERED IN NIZHNI NOVGOROD. The Nizhnii Novgorod electoral commission has registered five candidates for the 29 June gubernatorial race to replace Boris Nemtsov, who left the office to become first deputy prime minister in late March, *Moskovskie novosti* no. 22 reported. An additional 11 hopefuls, including National-Bolshevik leader Eduard Limonov, were unable to collect the minimum number of signatures required for registration. All five registered contestants are well known in the oblast: Nizhnii Novgorod Mayor Ivan Sklyarov; Communist Duma Deputy Gennadii Khodyrev (the former Nizhnii Novgorod Obkom first secretary); TV journalist and oblast legislature member Nina Zvereva; oblast legislature member Sergei Speranskii; and city council member Vadim Bulavinov.

Opinion polls show that Sklyarov now has the best chance to win the governorship after acting governor Yurii Lebedev withdrew from the race (see *IEWS Russian Regional Report*, 29 May 1997). Sklyarov presents himself as an independent candidate. He told *Rabochaya tribuna* on 30 May that he is grateful for support from various political parties but prefers not to make any promises to them. In the meantime, Our Home Is Russia publicly backed him, leading Lebedev to drop out of the race. At the same time, a group of Yabloko activists led by a Duma Deputy Olga Beklemishcheva also decided to support Sklyarov. However, *Moskovskie novosti* claims that Beklemishcheva is repaying Sklyarov for his help to her during the 1995 parliamentary election, while the rest of the local Yabloko organization, as well as other pro-reform movements, prefer Communist Khodyrev, declaring that "he is more of a democrat than Sklyarov."

Vladimir Zhirinovskiy's Liberal Democratic Party has decided to join the local pro-Communist organizations in supporting Khodyrev, clearly Sklyarov's main opponent. Zhirinovskiy is a long-time opponent of Nemtsov and after deciding not to run for the office himself threw his support behind the strongest opposition candidate. Zhirinovskiy announced his decision following negotiations with Communist Party leader Gennadii Zyuganov (*Kommersant-Daily*, 5 June). - Anna Paretskaya in Moscow

UDMURTIYA LIKELY TO INTRODUCE PRESIDENCY. Udmurtiya is likely to introduce the post of republican president for next spring's elections. It is currently one of two national republics in the Russian Federation which has a parliamentary rather than a presidential system. There are 21 republics

overall and the only other one with a parliamentary system is Kareliya. Currently, the head of the republic is Aleksandr Volkov, the chairman of the republican parliament, the State Council. Volkov is worried that a republican prime minister, who is appointed by the parliament and is, like Volkov, *ex officio* a member of the Federation Council, may gain more powers than he has himself, *Kommersant-Daily* claimed on 22 May.

It is still unknown whether the newly created position will be called "president" or "head of state" and this question will be decided in a referendum. The voters, however, will not be asked if the position should be created in the first place, since the republican legislature will simply pass a law creating the post. Volkov will be the main contender for the new office. He has already created a public movement in his support, folding into it many of the republic's largest political parties. However, Prime Minister Pavel Vershinin refused to join the coalition and support Volkov in his bid. *Kommersant-Daily* reports that he and Volkov have had a long-running conflict and that Vershinin is likely to be removed from office soon. He may oppose Volkov in the presidential elections, but is not given much chance of success. - Anna Paretskaya in Moscow

CENTER-PERIPHERY RELATIONS

NEMTSOV VISITS YAMAL-NENETS. First Deputy Prime Minister Boris Nemtsov paid a visit on 1 June to the Yamal-Nenets Autonomous Okrug, which has been pressing for secession from Tyumen Oblast, Radio Rossii reported. (For the recent history of the region, see *IEWS Russian Regional Report*, 24 April 1997). Nemtsov enthusiastically supported the region's plan to raise money through an international sale of Eurobonds, a step which might quench its secessionist zeal. The province should have no trouble finding buyers for its bonds. Some 99% of Russia's natural gas is pumped out of fields in Yamal-Nenets, along with 12% of Russia's oil. Half of the province lies above the Arctic Circle: Yamal means "the end of the earth" in the Nenets language. The province has a population of 500,000, of which only 30,000 are native Nenets, Selkups and Mants. - Peter Rutland

ETHNIC CONFLICT AND REGIONAL SEPARATISM

RUSSIA'S LEAKY BORDERS IN THE CAUCASUS. Despite the signing of the peace treaty with Chechnya, the situation on Russia's southern border in the Caucasus remains dangerously unstable, and border troops lack the manpower and resources to patrol the border effectively. These problems were discussed by the commander of the Border Guards Special District in the Caucasus, Col. Gen. Vladimir Ruzlyayev, in an interview published in *Vek* (no. 19, May-June 1997).

The area is riven with ethnic conflicts which often involve efforts to smuggle weapons and fighters across borders. In many cases ethnic groups live astride borders and have territorial claims on neighboring republics. Chechnya remains the principal source of instability in the region, according to Ruzlyayev, who said that there are some 500 "irreconcilables" - guerrillas who refuse to accept the peace treaty with Moscow. They "are prepared to fight until Islam wins the war," and try to launch raids on neighboring Dagestan to stir up the local Chechen population there. The second most serious challenge comes from the 300,000 Lezgins, who are split between Azerbaijan and Dagestan (The Lezgins themselves claim that their population numbers more than 1 million.) In May 1996 an Azerbaijani court sentenced two Lezgin activists to death for complicity in the planting of a bomb on the Baku metro in

1994. Two months later, 300 Lezgin activists seized a border post and held four Azerbaijani policemen hostage for several days.

Exacerbating the situation is the fact that these borders are not clearly delineated, having been internal boundaries prior to the collapse of the Soviet Union in 1991. Ruzlyayev estimates that 70% of Russia's border across the Caucasus is not "equipped" at all, with neither fences nor border markers. The process of marking the border, building guard posts, etc., is proceeding only because of financial assistance from local governments. Last year the border guards received only 12 billion rubles (\$2 million) worth of construction materials and food from the federal government. Hence they also use volunteer Cossack detachments to patrol some parts of the border, although the commander cautioned that "giving them weapons is premature," preferring to recruit individual Cossacks directly into the Federal Border Guards Service. - Peter Rutland

SECTORAL ANALYSIS

CHOCOLATE WARS: MOSCOW GIANTS BUY REGIONAL CONFECTIONERS. Two Moscow-based Russian confectionery makers, Red October and Babaev, are now aggressively expanding into the regions. Each hopes to dominate the market and reduce the market share of international giants Nestle, Cadbury, and Mars. Besides the two Russian producers and the western multi-nationals, there are about 70-80 relatively small, privatized producers, but they are likely to be swallowed by the bigger firms over the next five years. Babaev's ferocious battle with the Novosibirsk Chocolate Factory suggests, however, that the process will not be smooth or easy. Although Russians will have less disposable income as housing reform drives up the costs of apartments and municipal services, the wide popularity of sweets, particularly those made in Russia, insures continuing high demand.

Until recently Moscow's Red October candy factory was the largest Russian producer. This year it hopes to produce 72,000 tons, up 15,000 from last year. In 1995, the factory fought off a take-over attempt by Menatep bank, preserving its independence. In 1996 Red October significantly modernized its main facilities without the help of a strategic partner or a significant drop in output (*Finansovye izvestiya*, 22 April). The company has raised money by issuing stocks, and now hopes to gain more capital by selling Eurobonds and winning a loan from the European Bank for Reconstruction and Development. While the factory currently sells 77.1% of its product in the Moscow area, it has expanded into the regions, buying the unfinished Kolomna (Moscow Oblast) Red October factory, which should come on line by the middle of this year, and a factory in Ryazan. Red October also owns a 40% share of a factory in Tomsk and 40% of the Tula Yasnaya Polyana Candy Factory. It hopes to increase sales outside of Moscow by moving into Vladivostok, Blagoveshchensk, Krasnoyarsk, and Irkutsk. Red October currently controls 30% of the Moscow market and 6% of the Russian market overall.

Red October's main competitor will now be the Babaev holding company put together by Inkombank. The group includes Babaev (Moscow), Rot-Front (Moscow), Yuzuralkonditer (Chelyabinsk), the Sormovskaya Candy Factory (Nizhnii Novgorod), and the Novosibirsk Candy Factory. With a combined output of 145,000 tons in 1996 (and overall capacity of 180,000 tons), it is Russia's largest producer (*Kommersant-Daily*, 27 May). Buying control of all the companies so far cost Inkombank \$25 million and it hopes to control 15% of the Russian market. The regional branches

of Inkombank will help the group set up shops to sell its products in the provinces, a major marketing innovation (*Segodnya*, 27 May). After purchasing Rot-Front last month, the bank plans to buy factories in Barnaul, Perm, and Voronezh, each producing about 10,000 tons a year, to complete its expansion program by 1998. (*Ekspert*, 26 May <http://www.expert.ru/koi/>). Those factories are now owned by the London-based Sun Group, which intends to sell them.

Although Babaev has a 51% share of the Novosibirsk Candy Factory's stock, the current management of the factory is fighting a pitched battle to prevent the Moscow bank from taking control. The locals fear that Moscow will not take their interests into account. Additionally, if the bank takes over the company, it will pay many of its taxes in Moscow, where the bank is registered, not Novosibirsk, giving local authorities strong incentive to maintain local ownership.

Novosibirsk Chocolate Factory General Director Aleksandr Levitskii, who has been in the position since 14 April, claims that the shares owned by Inkombank are "illegitimate" (*Novaya sibir*, 19 May, <http://plato.sr.unh.edu/siberia/>). Citing that reason, he refused to allow the Muscovites to participate in the annual stock-holders meeting on 30 May, despite the fact that they own a majority of the shares (*Kommersant-Daily*, 4 June). He has proposed issuing more stock to dilute Babaev's share (*Kommersant-Daily*, 17 April). The current board of directors is challenging the legitimacy of Babaev's stock in court, although their lawyers did not show up on 12 May for a hearing on this topic, and the hearing was postponed for a third time (*Kommersant-Daily*, 22 May). The directors' attempt to buy up shares to fight Inkombank did not succeed in collecting even 1 percent. Nevertheless, with strong board manipulation, the 30 May shareholders' meeting changed the charter of the company, limiting membership on the board of directors to factory workers who have permanent residence in Novosibirsk.

Although the factory's product commands strong demand in the region, the plant is facing severe financial difficulties. It only partially paid its workers' January salaries by the beginning of May and owes 30 billion rubles to various creditors and for taxes and fines.

The previous general director of the Novosibirsk plant, Vera Kopasova, an ardent opponent of the Moscow bank's takeover, was murdered in front of her apartment building on 6 March. Local authorities are investigating Inkombank's and Babaev's possible involvement, although the bank did not benefit from the resulting uproar and would have succeeded in buying up the plant's stock, mostly from factory workers and pensioners, even if Kopasova had lived.

Kopasova's predecessor in Novosibirsk had been fired on 15 December 1996 for his pro-Moscow sympathies. He recognized that the plant did not have enough resources to modernize on its own and sought capital supplied by the bank. At a special 14 April shareholders' meeting to elect a new director, Levitskii was able to defeat Babaev's intention to name someone else to the post. The board of directors had arranged the voting in such a way that Levitskii was the only candidate on the ballot. Before becoming the director of the factory, Levitskii had worked in the office of the presidential representative as "an expert on financial crime," according to his own description (*Novaya sibir*, 21 April). Babaev's representatives claim that the level of lawlessness in this case is unprecedented and are also planning to sue the factory's management.

Not all of the buyouts have been hostile. The Sormovskaya factory voted to enter a strategic partnership with Babaev voluntarily. In 1996, the plant produced only a third of its 38,000 ton capacity and realized that it would need an outside investor to survive (*Kommersant-Daily*, 15 May).

The two Russian giants are now going head-to-head in the key Russian markets such as Moscow, Nizhnii Novgorod, St. Petersburg, Krasnoyarsk, Sochi, and Volgograd. Babaev has managed to take as much as 80% of the market in Krasnodar, for example, although earlier it split it evenly with Red October (*Kommersant*, 3 June).

Foreign confectioners have also been extremely active in Russia and now control 22% of the Russian chocolate market (*Kommersant*, 3 June). Switzerland's Nestle paid approximately \$7 million for 80% of Samara's Russia Chocolate Factory in 1994, and, at the end of 1996, bought another factory in the city, Konditer, which it combined with the first (National News Service [<http://www.nns.ru/>] and *Volzhskaya kommuna*, 15 November 1996). Cadbury-Schweppes has a \$115 million plant in Novgorod Oblast with a 50,000 ton capacity, making it the largest Cadbury plant in the world. Mars built a \$200 million plant in Moscow Oblast in 1994 with a capacity of 50,000 tons. Sales for 1994 were \$300 million. The company was the first to benefit from an October 1995 presidential decree giving tax relief to firms importing more than \$100 million. Nestle and Mars are among the ten largest television advertisers in Russia, spending \$2.3 million and \$1.0 million respectively in 1996 (*Moscow Times*, 4 March). The number of ads they have been buying has increased greatly in recent months to counter the offensive of the two Russian companies. - Robert Orttung

BUSINESS BRIEFS

-- **TACIS** has opened a technical office in Novosibirsk to help coordinate the European Union's economic aid to the former Soviet Union (*Radio Rossii*, 2 June). TACIS currently has eight programs in the region, including projects on energy saving, employment, and agricultural marketing.

-- **Bank Rossiiskii Kredit** signed an agreement with **Volgograd Oblast** under which it will invest money into the region, in particular in the chemical and refining industries. The bank will also assist in attracting foreign capital to the oblast and help distribute regional securities. (*Kommersant-Daily*, 30 May)

-- **SBS-Agro Bank** signed a ten-year cooperation agreement with **Kursk Oblast**. Under the agreement, the bank will help the oblast attract investment in regional industries, trade, and services. The bank will also help the region switch to non-cash transactions using SBS-Agro credit cards. (*Kommersant-Daily*, 30 May)

-- Heads of the Russian oil company **YUKOS-ROSPROM** Sergei Muravlenko and automobile producer **GAZ** Nikolai Pugin signed a cooperation agreement under which YUKOS will provide GAZ with fuel, while GAZ will supply YUKOS with equipment for oil exploration and extraction. Additionally, the two companies will jointly reconstruct old gas stations, which belong to GAZ and its branches, and erect new stations. (*Segodnya*, 29 May)

-- Oil company **LUKoil** was granted a right to proceed in developing two oil fields of about 2,500 sq km each in Kaliningrad Oblast, one on the border with Poland and another on the border with Lithuania. Estimates indicate that the fields contain 8 and 5.4 million tons of oil respectively. The company was the only one to file an application for the tender though two other companies, YUKOS

and Rosneft, had also intended to compete for it. They withdrew from the competition because of the large investment requirements. LUKoil will have to invest at least \$16 million into the fields. However, the company expects low risk and quick returns. (*Kommersant-Daily*, 30 May)

REGIONAL LINKS

-- (http://www.geocities.com/CapitolHill/2568/e_re97t.html) A comprehensive listing of all the recent gubernatorial election results that is still being updated. Grigory Belonuchkin of Moscow's Panorama group maintains the page.

-- (http://www.itar-tass.com/russ/reg_elect/reg_elect.htm) ITAR-TASS's reports on the gubernatorial elections, updated through January 1997. Includes some of the reports from the regions by ITAR-TASS correspondents as well as the law on the formation of the Federation Council. This site also has some background information on a few of the regions and governors.

REGIONAL PROFILE: TOMSK OBLAST

Governor: Viktor Kress

Viktor Kress was elected governor of the oblast in December 1995, when the presidential administration allowed 12 carefully selected regions to hold gubernatorial races before the summer 1996 presidential poll. He received about 52% of the vote, far ahead his competitors.

Prior to the election, he had long experience in governing the oblast. In the late 1980s, he headed a local Communist Party organization in the oblast. In 1990, he was elected to the oblast legislature and became its chairman. Though during the August 1991 coup attempt he did not openly condemn the coup plotters and was criticized by the oblast legislature for that, President Yeltsin appointed him governor in October that year.

In December 1993, Kress was elected to the newly established Federation Council, the federal parliament's upper house. He joined the pro-governmental Our Home Is Russia (NDR) movement at its constituting assembly and became a member of its Political Council. In 1995, he was number one on the NDR's regional party list for the parliamentary election but withdrew after being elected the governor.

Other Local Leaders

Chairman of Duma -- Boris Maltsev, elected in April 1994

Brief Overview

Tomsk Oblast lies in the south-east of the West-Siberian plain. The development of the territory which now belongs to the oblast began in the early 17th century. Tomsk itself was founded in 1604. Most of the oblast's 314,400 sq km territory is inaccessible because it is covered with taiga woods. The oblast shares borders with Krasnoyarsk Krai, Tyumen, Omsk, Novosibirsk, and Kemerovo oblasts.

Like its Siberian neighbors, Tomsk is rich in natural resources, particularly, oil, gas, ferrous and non-ferrous metals, peat, and underground waters. Forests are also among the most significant assets of the oblast: about 20% of the West Siberian forest resources are located in Tomsk Oblast. Industry makes up about half of the regional GDP, while agriculture contributes 19% and construction 13%. Chemical and oil industries are the most developed in the region, followed by machine construction. The oblast's major export items are: oil (62.1%), methanol (30.2%), and machines and equipment (4.8%). Oil extraction and lumbering are the major business of the region's joint ventures.

The oblast is home to 6 state higher education institutions and 47 research institutes.

Basic Facts

1995 Population (est.): 1,079,200 (0.73% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 0.80%

Agricultural production as percentage of all Russian production (1994): 1.00%

Average personal income index in July 1995: 88 (Russia as a whole = 100)

Price basket index in July 1995: 97 (Russia = 100)

Average back wages owed per person (September 1995): 62,100 rubles (Russian average = 37,100)

Urban population: 65.3% (Russia overall: 73.0%)

Student population (1993): 357 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 22.11%

Percent of population with higher education (1989 census): 11.6% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 27.0% (Russian average: 29.9%); Agriculture: 10.2% (12.8%); Trade: 8.5% (9.1%); Culture: 15.1% (13.6%); Management: 2.2% (2.3%)

Number of telephones per 100 families (1993): in cities : 31.8 (Russian average: 41.5); in villages: 24.3 (17.2)

According to a 1995 survey by Bank Austria, the krai is ranked 66th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 34.95%/59.17% (first round/second round)

Zyuganov: 22.13%/33.69%

Lebed: 19.69%

Yavlinskii: 10.90%

Zhirinovskiy: 7.11%

Turnout: 68.68%/65.92% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 18.77%

Liberal Democratic Party: 10.48%

Yabloko: 10.37%

Our Home Is Russia: 9.15%

Women of Russia: 6.91%
Congress of Russian Communities: 4.59%
Communists -- Workers' Russia: 4.28%
Derzhava: 4.11%
Party of Workers' Self-Government: 3.50%
Russia's Democratic Choice: 3.09%
Agrarian Party of Russia: 2.23%
In a single-member district: 1 independent
Turnout: 62.95% (Russia overall: 64.37%)

1993 Constitutional Referendum

“Yes” -- 66.26% “No” -- 30.54%

1993 Parliamentary Elections

Russia's Choice: 22.06%
Liberal Democratic Party of Russia: 21.90%
Yabloko: 11.81%
Communist Party of the Russian Federation: 10.05%
Women of Russia: 8.86%
Democratic Party of Russia: 5.68%
Russian Movement for Democratic Reforms: 5.42%
Party of Russian Unity and Concord: 5.01%
Agrarian Party of Russia: 4.49%
From electoral associations: 1 Communist Party of the Russian Federation
In single-mandate districts: 2 Russia's Choice
Turnout: 46.00% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 61.12%
Ryzhkov: 14.70%
Tuleev: 9.20%
Zhirinovskiy: 6.92%
Bakatin: 2.71%
Makashov: 1.53%
Turnout: 72.11% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95* [Russian regions on the eve of 1995 elections], Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam* [Results of the 17 December 1995 elections, regional breakdown], Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995* [State Duma elections 1995], Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii* [Governors of Russia], Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.
Compiled by Anna Paretskaya

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TABLE OF CONTENTS

NEW Breaking News

A survey of key events in Russia's Regions

Center-Periphery Relations

Moscow Intensifies Attack on Nazdratenko

Conferences Discuss Imposing Order in the Regions

Yeltsin Continues to Play Mayors Against Governors

Patterns of Regional Development

Sverdlovsk Oblast Creates Administrative Districts

Former Tula Governor Arrested for Corruption

Confusion over St. Petersburg Referendum

Social Issues

Dagestanis Debate Methods for Combating Crime

Economic Issues

More Scandals in Krasnoyarsk Metal Industry

Ulyanovsk Starts Privatization of Municipal Property

Tomsk Offers Investment Projects Worth Over \$1 Billion

Foreign, Domestic Investors Have Different Priorities

EXPANDED Business Briefs

A Weekly Summary of Key Deals in the Regions

NEW Border Issues

Cossacks to Guard Kazak Border
Duma Focuses on Border Issues

Regional Links

Russia's Tax Code

Regional Profile: Republic of Buryatiya

Advertisement

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BREAKING NEWS

3 June

-- **Ryazan** Governor Vyacheslav Lyubimov and chairman of the Ryazan legislature Vladimir Fedotkin sent a letter to President Boris Yeltsin accusing the previous leaders of the region of corruption. In particular, they asked Yeltsin to remove his presidential representative to Ryazan, Gennadii Merkulov. Merkulov was governor from 1994-96, but was fired by Yeltsin three months before the 15 December election. (*Pravda-5*, 7 June)

4 June

-- **St. Petersburg** deputy governor Yurii Antonov announced that the city's largest municipal transport enterprises, Passazhiravtotrans and Goselektrotrans, will soon be de-nationalized. The two enterprises are losing money and the city administration has to cover their debts to fuel and energy suppliers from the city budget. (*Kommersant-Daily*, 6 June)

-- Communist Party leader Gennadii Zyuganov arrived in **Nizhnii Novgorod** to campaign for the party's gubernatorial candidate Gennadii Khodyrev. The party plans an intensive effort to elect Khodyrev as Boris Nemtsov's replacement. (*Kommersant-Daily*, 5 June)

5 June

-- **Stavropol Krai** Governor Aleksandr Chernogorov and **Chechen** President Aslan Maskhadov signed a peace and co-operation treaty. Under the treaty, the two regions will supply each other with goods and food products produced on their respective territories and their administrations will assist in establishing ties between regional enterprises. (*Kommersant-Daily*, 6 June) **Sverdlovsk** and **Tatarstan** also signed a treaty aimed at promoting trade. (*Uralskii rabochii*, 5 June, <http://ur.etel.ru>)

6 June

-- President Boris Yeltsin's weekly radio address focused on regional affairs. Yeltsin noted that the main problem in the regions was their uneven development and stressed the need to ensure that living standards are improving everywhere. He said that federal aid is now ineffective and is not going where it is needed most. Yeltsin noted that the economic policies of the regions depended heavily on the particular governor and singled out **Moscow**, **Novgorod**, and **Novosibirsk** as particularly successful. In contrast, he noted the "incompetent and shortsighted"

policy of **Primorskiï Krai's** leaders. He also called for the strengthening of local government which he described as the most significant of all levels of government.

-- The **Irkutsk** electoral commission registered 9 candidates for the 27 July gubernatorial race. (*Vostochno-Sibirskaya Pravda*, no. 18, <http://www.irk.ru/vsp/index.htm>)

7 June

-- The local Yabloko branch announced its support for Ivan Sklyarov in the **Nizhnii Novgorod** gubernatorial race. Earlier, Sklyarov won the endorsement of Our Home Is Russia.

8 June

-- Nikolai Sarviro, endorsed by the opposition "Patriotic Bryanshchina" movement, was elected mayor of **Bryansk**. He received 47% of the vote. Sarviro, a former first secretary of the CPSU city organization, had been appointed mayor in December last year by the Communist dominated city legislature and later was nominated as the sole candidate from the opposition. (*Segodnya* 10 June) One of the candidates in the race, Nikolai Trofimov, had the backing of the extremist Russian National Unity (RNE). He claimed that he was running to end the myth of Russian fascism (RNE is usually labeled as "fascist") and to impose "Russian order." (Information from the Bryansk Oblast administration, <http://www.admin.bryansk.ru/~press/BWEEK/Tribe1.html>)

9 June

-- Sergei Shakhrai, the presidential representative to the Constitutional Court, filed a lawsuit against the Supreme Council of the Republic of **Khakasiya**. The administration claims that Khakasiya has not complied with orders to amend several provisions of its legislation that violate federal laws. For example, the republican electoral law requires 5 and 7-year periods of minimum residency in the republic for candidates to the republican legislature and the post of republican prime minister, respectively, while federal law states that the requirement for minimum residency cannot exceed one year. The **Karelian** legislature has asked the Constitutional Court to determine whether the federal law guaranteeing voter rights is itself constitutional so that it will not have to change republican legislation. (*Kommersant-Daily*, 6 June)

10 June

-- The Imam of **Grozny's** mosque Khazanbek Yakhyaev was murdered in the city. His relatives immediately caught the perpetrator and executed him. The exact motive for the attack is unclear, but the imam had recently spoken out against the activities of Wahhabis in the region. (Russian Public Television, 11 June)

11 June

-- As a mission from the World bank arrived in Moscow, First Deputy Prime Minister Anatolii Chubais announced that there were no obstacles for the bank to give Russia a second \$500

million loan to help restructure the coal industry. He reported that miners in **Komi** had ended their strike and that the government was about to carry out an analysis of coal enterprises in **Rostov** and **Kemerovo** oblasts. (RIA Novosti, <http://www.ria-novosti.com/products/hotline/>)

CENTER-PERIPHERY RELATIONS

MOSCOW INTENSIFIES ATTACK ON NAZDRATENKO. The presidential administration has intensified its attack on Primorskii Krai Governor Evgenii Nazdratenko. The governor, who won a landslide election to the post in December 1995, earlier held the support of key members of Yeltsin's inner circle. His allies included such powerful figures as former chief of the Presidential Security Service Aleksandr Korzhakov and First Deputy Prime Minister Oleg Soskovets. Those officials are now gone, and Anatolii Chubais, one of Nazdratenko's most bitter opponents, has succeeded in consolidating his influence over the president's team.

In the past, Yeltsin could simply remove governors who had lost his favor, but since Nazdratenko is a popularly elected official, he no longer serves at the will of the president. Nevertheless, although Yeltsin cannot legally remove the governor, he can apply tremendous pressure to make it difficult for him to carry out his duties. Yeltsin may also find a way to bend the law to his will since legal norms in the Russian context tend to be rather flexible. Nazdratenko has hoped to replace his lost ties to Korzhakov and Soskovets by forming an alliance, so far unsuccessfully, with newly appointed First Deputy Prime Minister Boris Nemtsov who visited the region on 11 June. According to the Russian media, Nazdratenko's fate hangs on the content of Nemtsov's report to the president when he returns from his trip to the Far East. Nemtsov has said that Nazdratenko should resign.

The latest round of confrontation intensified on 23 May when Yeltsin appointed Viktor Kondratov, the head of the local Federal Security Service, to serve simultaneously as his representative in the region. On 4 June, Yeltsin gave Kondratov expanded powers, including the right to coordinate all presidential and governmental decrees regarding the regulation of the krai's energy system, organize and monitor the use of federal money sent to the region, and coordinate the activities of federal agencies there (*Rossiiskaya gazeta*, 10 June). The decree effectively transferred much of the elected governor's power to Yeltsin's appointed representative, leading the local newspaper *Vladivostok* to declare on 9 June that the krai had two rulers. If the president is able to successfully limit Nazdratenko's powers by such a decree, *Kommersant-Daily* argued 6 June, then it might try to use similar decrees to rein in other uncooperative regional executives.

In his radio address on 6 June, Yeltsin directly attacked the krai leadership (see Breaking News above for details). Then two visitors from Moscow arrived in Vladivostok to ensure that the president's intentions were implemented. Deputy Presidential Chief of Staff Evgenii Savostyanov, who came to Vladivostok to inform Nazdratenko about Yeltsin's decree, announced that he had considerable evidence of corruption within the krai administration (Russian Public Television, 6 June). Savostyanov claimed that of 80 billion rubles transferred to the krai on 1 April to pay state employees, 38.5% of the funds went into nonbudgetary accounts which are not traceable and another 25 billion rubles disappeared altogether (*Kommersant Daily*, 7 June). He asserted that the criminal environment created by

Nazdratenko was keeping out foreign investors. Meanwhile, Deputy Minister of Fuel and Energy Sergei Kirienko declared that Primorskii Krai's policy of charging low energy prices for residential customers and high prices for federal enterprises had caused the energy crisis which deprived residents of electricity for up to 18 hours a day. He charged that this practice of manipulating energy prices was just a ploy to transfer more money from the federal budget to the region (NTV, 7 June). The difference in prices paid ranged from 160 to 1,700 rubles per kilowatt. (*Vladivostok*, 6 June) In response to these attacks, Nazdratenko offered to stand in pre-term elections to reaffirm his popular support (*Vladivostok*, 9 June).

On 9 June Kondratov's FSB conducted a three hour search of the administration's offices and claimed to have removed documents that "threaten constitutional order and human rights" in the region (*Kommersant-Daily*, 11 June). Krai administration officials declared the search "illegal" and a return to the Stalinist methods of 1937. The documents taken included the administration's analyses of the political and economic situation in the krai, a plan for discrediting Vladivostok Mayor Viktor Cherepkov, and various proposals for disrupting elections to the Krai's legislature (NTV, 10 June). Nazdratenko's administration has complained to the procurator.

According to Savostyanov, Yeltsin may decide to remove Nazdratenko and call pre-term elections to replace him (*Segodnya*, 11 June). Savostyanov claimed that Yeltsin has this right since it is his constitutional duty to defend the security of the country (*Kommersant Daily*, 11 June). However, the Kremlin decided against a similar attempt last September, fearing that Nazdratenko would be able to successfully appeal the decision in court. According to *Itogi* (9 June), however, Nazdratenko is likely to win any election, since the residents of the krai don't see any possible alternatives. Most people believe that Cherepkov would not be a good governor. Moreover, the local communists who formerly fought Nazdratenko are now backing him in his battle against Moscow. But as *Izvestiya* (10 June) pointed out in a long article attacking the way Nazdratenko's administration manipulates the local media, the governor is unpopular among the krai's long-suffering residents.

Although some governors like Sverdlovsk's Eduard Rossel and Tula's Valentin Starodubtsev have come to Nazdratenko's defense, others have remained silent or, like Kareliya's Viktor Stepanov, issued banal and ambiguous statements about the need to protect the constitution. The battle with Nazdratenko will undoubtedly serve as a precedent for how the president will continue to define his relations with the popularly elected governors. - Robert Orttung

YELTSIN ADMINISTRATION HOLDS REGIONAL CONFERENCES ON IMPOSING ORDER. During the last few weeks, President Boris Yeltsin's administration has sponsored a series of regional conferences aimed at improving the efficiency of the country's executive branch. Gatherings of regional governors and their respective law enforcement organs, tax collectors, procurators, and oversight agencies have taken place in St. Petersburg, Novosibirsk, and Samara under the title "Imposing order among the authorities means order in the country" (*Poryadok vo vlasti - poryadok v strane*). Journalists were not admitted to the meetings. The president had stressed this theme in his annual address to the parliament earlier this year. In all three places, the regional leaders have been critical of federal policies.

Samara Governor Konstantin Titov was representative in complaining that federal policy does not recognize the fact that society is no longer monolithic (*Samarskoe obozrenie*, 26 May). He argued that the government tries to provide everyone with aid equally, when the top 25% of the population needs no aid, and the bottom 25% needs a wide range of support programs. He also criticized the tax code now under discussion as not reducing taxes on enterprises and not clearly defining which taxes should be paid to the federal government and which to regional administrations. (For the text of the tax code, see Regional Links) - Robert Ortung

YELTSIN CONTINUES TO PLAY MAYORS AGAINST GOVERNORS. Continuing Moscow's strategy of pitting strong-manager mayors against opposition governors, Yeltsin phoned Chelyabinsk Mayor Vyacheslav Tarasov on his 50th birthday on 9 June and offered the Chelyabinsk Tractor Factory a two year deferment in paying its taxes, *Kommersant-Daily* reported on 11 June. The factory owes more than 1 trillion rubles. Chelyabinsk Governor Petr Sumin has usually sided with the president's opponents and criticized the course of reform, while Mayor Tarasov has stayed away from politics. - Robert Ortung

PATTERNS OF REGIONAL DEVELOPMENT

SVERDLOVSK OBLAST MOVES AHEAD IN CREATING ADMINISTRATIVE DISTRICTS. Sverdlovsk Governor Eduard Rossel has pushed for the creation of six administrative districts which will help his oblast administration coordinate the work of the local governments in the region. Rossel claims that the new layer of bureaucracy will make the oblast's government more responsive to the people, while critics charge that he is taking power from local leaders and concentrating it into his own hands (See *Russian Regional Report*, 27 March). Rossel appoints the head of the administrative districts while local government leaders are popularly elected. The oblast legislature has to pass a law on each district before it can officially begin functioning. So far Rossel has signed the law on the Eastern district, and the oblast дума has passed the law on the Northern district and is now debating the law on the Mining and Metallurgical District (*Uralskii rabochii*, 30 May, <http://ur.etel.ru>).

One of the key obstacles in passing the laws is whether elected mayors can simultaneously serve as appointed district heads. V. Mikhel, the mayor of Krasnoturinsk and the administrator of the Northern District, successfully requested that the oblast дума allow him to serve in both posts for six months. During the course of the next half-year, he must set up the administration of the new district and then decide whether he wants to be mayor or administrator.

With the first two districts defined, the oblast дума is having much less difficulty setting up the Mining and Metallurgical District. Rossel has already appointed Nizhnii Tagil Mayor N. Didenko as its administrator. It will have a 59-person staff whose support will cost 2.525 billion rubles (\$440,000). - Robert Ortung

FORMER TULA GOVERNOR ARRESTED FOR CORRUPTION. Former Tula Oblast Governor Nikolai Sevryugin was arrested on charges of misusing budgetary funds,

abusing his office, and taking a \$100,000 bribe during his governorship, Russian media reported. He was imprisoned two days after the detention of his son, Andrei Sevryugin, who is reported to be a mediator between his father and an unnamed representative of Moscow-based Postrabank which gave the governor the bribe.

Sevryugin served as the presidentially-appointed governor from October 1991 until March 1997. Numerous pro-reform organizations had asked President Yeltsin to remove Sevryugin from office and refused to support his candidacy in the March elections. He lost the race to opposition candidate Vasilii Starodubtsev by a margin of about 60%.

Observers say that Sevryugin's criminal activity and the corruption among his deputies and other administration officials was known long before his arrest, but law-enforcement bodies refrained from opening a case against him because he enjoyed parliamentary immunity as a Federation Council member. However, in February Deputy Governor and Chairman of the administration's Committee on Property Boris Shapovalov was sentenced to six years imprisonment with the confiscation of his personal property on charges of corruption.

In the near future, the procurator's office will probably seize Sevryugin's property -- a three-room apartment in Tula, several dachas located in Tula Oblast, and a villa in Moscow Oblast's Arkhangleskoe village, where many top-officials have their country residences, *Kommersant-Daily* reported on 10 June. According to experts quoted by *Rossiiskaya gazeta* on 11 June, Sevryugin and his son may be sentenced to seven to twelve years each. - Anna Paretskaya in Moscow

CONFUSION OVER ST. PETERSBURG REFERENDUM. On 5 June, the St. Petersburg city court canceled an order by the regional electoral committee to the city's legislative assembly to schedule a referendum aimed at removing Governor Vladimir Yakovlev, *Obshchaya gazeta* (no. 23) reported. The court ruled that registration of the initiative group supporting the no confidence voting was illegal because one of the two questions which it intended for the referendum had ambiguous wording and thus could not be included on the ballot. Similar concerns had earlier delayed the registration of the group.

The electoral commission had instructed the city legislature to set the voting date no later than the end of July. Voters were to answer two questions: "Do you agree that the social and economic policy of Governor Vladimir Yakovlev has harmed your living standard?" and "Do you agree that Governor Vladimir Yakovlev should resign?" The court did not accept the first question. The Communists initiated the referendum after the city administration raised apartment rents and the cost of municipal services earlier this year. According to the most recent opinion polls, about two thirds of the respondents think the rent prices, which take up about one third to one half of a family's income, are unreasonably high and that the system of housing subsidies is ineffective. The Communist-led initiative group which submitted the signatures is reportedly financed by a large commercial firm from Moscow which is in conflict with Yakovlev because of his support for certain St. Petersburg banks and companies (*Kommersant-Daily*, 7 June).

Many observers agree that the no-confidence vote will take place and that its postponement only benefits the governor's critics. Yakovlev's popularity is likely to decrease over time. Already opinion polls show that his rating is 5% lower than Anatolii Sobchak's, the

former mayor whom Yakovlev defeated in elections held a year ago, *Kommersant-Daily* reported. - Anna Paretskaya in Moscow

SOCIAL ISSUES

DAGESTANIS DEBATE METHODS FOR COMBATING CRIME

by Eduard Urazaev, Political Correspondent, *Novoe Delo* (Dagestan)

MAKHACHKALA - Many Dagestani citizens watched the televised debate in the Dagestan People's Assembly about crime in the republic on 29 May. During the discussion, the authorities expressed four different points of view about how to increase the effectiveness of their fight against the republic's increasing lawlessness.

The leadership of the law enforcement agencies expressed the first point of view. Dagestani Procurator Imam Yaraliev focused on the need to end corruption among state employees and strengthen oversight over issues of financing and privatization. Chief of the local Federal Security Service Vasilii Papsuev advocated closing "loopholes" in the republic's criminal code, while Deputy Minister of Internal Affairs Valerii Beev called on the population to refrain from participating in mass protests that mobilized support by emphasizing nationalist or other differences. Beev also proposed disarming the population at any cost.

Secretary of the Dagestani Security Council Magomed Tolboev defined the second point. In his opinion, Dagestan already has a sufficient legislative base for fighting crime and the law enforcement agencies are battle-ready. He claimed that the only problem is that the republic's political leadership lacks the political will to use them.

A third point of view was expressed in the various speeches and questions posed by the members of the People's Assembly. They almost unanimously pointed to the shortcomings in the work of the law enforcement agencies, highlighting bribery and other forms of corruption. They argued that it was necessary above all to impose order among the agencies themselves and increase the accountability of their leaders.

The speaker of the People's Assembly, Mukhu Aliev, expressed the fourth general perspective. He reminded the leaders of the law enforcement agencies about the Russian Federation's new criminal code which clearly defines punishments for the organizers and rank and file members of criminal gangs and reproached the leaders for not pursuing more cases on the basis of this article of the law. He also criticized them for not using the possibilities offered by President Yeltsin's June 1994 decree on organized crime which allows the authorities to hold suspects for 30 days while conducting an investigation of their activities. He believes that law enforcement agencies have a great deal of preliminary evidence which is not being utilized. Therefore, the main problem is not in the absence of legislation or the republican leadership's lack of political will, but in the desire and will of law enforcement agencies to impose order in their own ranks and begin a decisive battle with criminal groups. The leadership of these agencies must stop their practice of doing whatever is politically expedient and follow only the dictates of the law, he asserted.

This discussion will not be the last time parliament addresses the issue of crime. In contrast to earlier discussions when the course of reforms, the overall social crisis, and the events in Chechnya were seen as the main cause for the growth in the crime rate, attention now focused primarily on the activities of the law enforcement officials and the actions of politicians.

ECONOMIC ISSUES

MORE SCANDALS IN KRASNOYARSK METAL INDUSTRY. Last week saw a fresh round of scandals surrounding the giant metal plants in Krasnoyarsk Krai.

On 6 June the Norilsk Nickel combine fired the director of its subsidiary, the Krasnoyarsk non-ferrous metals plant (KZTsM), *Kommersant daily* reported on 10 June. Vladimir Gulidov was accused of financial irregularities which caused a loss of 185 billion rubles (\$32 million) to the firm. Gulidov also serves as a director of the Moscow-based Lanta bank, and in what the paper called a "curious transaction" KZTsM lent money to the bank, and then borrowed it back at a higher rate of interest. It does not appear that Gulidov broke any criminal law, however.

A more bitter conflict has erupted for control of the Krasnoyarsk Aluminum Plant (KrAZ), the largest aluminum smelter in the world. In 1995 KrAZ broke away from the Chernyi brothers and the UK-based Transworld Metals Group (TWM), which had gained control of about 17% of the plant's shares. Managing director Yurii Kolpakov blocked TWM's access to the plant in a legally dubious maneuver. Under Kolpakov KrAZ began acquiring shares in other local metals plants and started competing with TWM on the international aluminum market, draining the firm's profits. Kolpakov was an active supporter of the campaign against TWM which erupted in March of this year, after Interior Minister Anatolii Kulikov criticized TWM as an example of international capitalism trying to exploit Russian industry.

However, in November 1996 the chairman of the board of directors of KrAZ, Gennadii Druzhinin, fell out with Kolpakov and began denouncing some of his financial machinations. In May 1996 Kolpakov had signed a deal under which KrAZ sent \$20 million to the offshore Leo Trust Company as advance payment for bauxite deliveries. The bauxite never arrived, and Russian police began a criminal investigation of Kolpakov on 2 June, according to *Kommersant daily* of 10 June and *Moskovskii komsomolets* of 5 June. Kolpakov is backed by the Swiss-based aluminum trading company Kraspa Metals, which is now thought to own one third of KrAZ's shares. Last week the KrAZ board met (in London!) and removed Druzhinin, but the police investigation may tip the tables against Kolpakov. - Peter Rutland

ULYANOVSK STARTS PRIVATIZATION OF MUNICIPAL PROPERTY. The first four enterprises previously owned by the city of Ulyanovsk - a coffee-shop, a barber-shop, and two consumer products stores -- were sold to private owners in the first of the city's property auctions on 4 June, *Kommersant-Daily* reported. The lots were sold for a total of 1.5 billion rubles (about \$260,000), while the starting price had been 400 million. Another seven offers were taken off the auction block since nobody wanted to buy them.

Ulyanovsk Oblast is one of Russia's last regions to start selling off municipal property. Communists control both the governorship and the legislature. Before the auction, 80% of

trading and service enterprises belonged to the city. They have not been self-supporting: 40% of the stores are bankrupt, while a majority of service providers are unable to pay rent or cover the cost of municipal services. They all must receive subsidies from the city administration. Therefore, the city legislature and mayor came to an agreement to de-nationalize these enterprises to make them self-sufficient and profitable.

Over 600 city owned enterprises were divided into three categories: those which would not be privatized this year -- parks, large hotels, healthcare facilities; those which must be privatized -- enterprises whose worth does not exceed 1,000 minimum wages (about 83,500,000 rubles); and those which are to be privatized upon an agreement between the city Duma and government. Third category enterprises may be reorganized into joint stock companies and their employees will have certain advantages in buying shares.

The local mass media and managers of many of the enterprises which are supposed to be de-nationalized have staunchly opposed the privatizations. However, the local administration insists on pushing ahead since the city budget is unable to continue supporting the bankrupt businesses. - Anna Paretskaya in Moscow

TOMSK OFFERS FIVE INVESTMENT PROJECTS WORTH OVER \$1 BILLION.

The Tomsk Oblast administration has worked out five projects aimed at bringing investors to the region, *Interfaks-AiF* (no. 23) reported. The first project, "Gaz Program," will require \$250 million to stimulate the development of the region's gas fields and to transport gas to industrial and energy producing enterprises. The oblast administration believes that investors will recoup their investment in seven years. The second project seeks to attract capital for the construction of an oil processing plant with a capacity of 6 million tons a year. The cost of this project is estimated at \$210 million. The oblast administration expects to pull in another \$280 million to develop the region's lumber industry and \$300 million to convert local military-industrial enterprises. The administration also hopes to attract \$150-200 million for the construction of a titanium plant. - Anna Paretskaya in Moscow

FOREIGN, DOMESTIC INVESTORS HAVE DIFFERENT PRIORITIES. According to a survey by the Russian-European Center for Economic Policy (RETsEP), foreign businesses prefer to invest money in Moscow and other big industrial centers, while domestic investors choose regions which have well developed industries. Usually, domestic investors select regions which have the largest concentration of enterprises in the energy, metallurgical, and machine building industries. The most popular regions are those that are leaders in several industrial sectors. According to the survey, Moscow receives over 40% of the total foreign investment, followed by Moscow Oblast (19.7%), St. Petersburg (4.7%), Khabarovsk Krai and Nizhnii Novgorod Oblast (about 3% each), and Magadan, Leningrad, and Sakhalin oblasts (about 2% each) (*Vek* no. 20). - Anna Paretskaya in Moscow

BUSINESS BRIEFS

-- **Pioneer First**, the Russian unit of Boston-based **Pioneer Group, Inc.**, has opened offices in **St. Petersburg** and **Voronezh** to serve clients of its mutual funds (*Izvestiya*, 7 June). The

company is the first to open offices outside of Moscow. Mutual fund brokers are having difficulty selling their services across Eastern Europe and the former Soviet Union because many citizens lost their savings in fraudulent investment schemes, such as MMM.

-- **3M's** (USA) management believes that there is too much political and economic risk to invest in production facilities in Russia. The firm prefers to expand its marketing network for the time being. Sales are rising at the rate of 30% a year. The company invested about \$20 million in Russia in 1996 and plans to invest about \$30-35 million in 1997. (*Finansovye izvestiya*, 29 May)

-- During the last 30 years the Samotlor oil field (**Khanty-Mansi Autonomous Okrug**) has produced 2.2 billion tons of oil while an estimated 1.5 billion tons remains in the ground. The **Tyumen Oil Company**, which is working the field, needs 25.2 trillion rubles (\$5 billion) of investment to improve its equipment through the year 2010 to extract the remaining oil. The field produces \$1.8 billion of oil annually and was recently given preliminary approval to be developed on the basis of production sharing agreements. The company plans to issue stock initially valued at \$20 billion. Forty-five percent will go to the Russian property fund, 40% to a strategic investor, and 15% to the population. (*Finansovye izvestiya*, 5 June)

-- Over two hundred participants took part in a Helsinki conference sponsored by the **Overseas Private Investment Corporation** (OPIC), a US government agency, and the **Finnish Guarantee Board** to bring together American investors with Finnish partners to invest in Russia. The Finnish have considerable expertise working in the Russian regions, while the Americans have capital and marketing experience. Representatives from **St. Petersburg, Leningrad** and **Novgorod** oblasts, **Kareliya**, and **Komi** attended. (*Finansovye izvestiya*, 5 June)

-- The Spanish company **Passe** is planning to begin building a \$12 million food processing plant in the **Nizhnii Novgorod Oblast** city of Bor. Passe sells its products under the brand name **Gallina Blanca**. (Radio Mayak, 4 June)

-- Prime Minister Viktor Chernomyrdin restored **Lenzoloto's** status as a private company on 30 May, effectively overturning a High Arbitration Court's decision to nationalize the firm. The company works the Sukhoi Log ore deposit, Russia's largest, in Irkutsk Oblast. Lenzoloto must now bring its founding documents into accord with Russian law. (*Kommersant-Daily*, 5 June) When Lenzoloto was privatized in 1992, Australia's **Star Technology** won a 31% share, but only paid for 4%. Now **Irkutsk Oblast** is likely to take the remaining 26% to pay off Lenzoloto's debts to the oblast budget (*Vostochno-Sibirskaya Pravda*, no. 18) Since 1992, the company has invested \$60 million in Lenzoloto and will remain heavily involved in working the Sukhoi Log deposit. Irkutsk Oblast officials and several British investment funds strongly criticized the court's initial decision to nationalize the company.

- **OPIC** has offered a low-interest loan of \$13.5 million for construction of the Nevskii 25 office complex in **St. Petersburg**. Chicago-based **Golub & Company** and the Turkish construction firm **Alarko** are involved in the project. (*Moscow Times*, 4 June)
- St. Petersburg has successfully sold \$300 million worth of Eurobonds. The project managers are **Salomon Brothers**, the **European Bank for Reconstruction and Development**, and the Moscow bank **MFK**. The bonds have a BB- rating from Standard and Poor's, the same as Russia's as a whole. The money earned from the sale will go toward restructuring the city's debt. Moscow has already issued such bonds and **Nizhnii Novgorod** and **Sverdlovsk** oblasts are making plans to do so. (*Kommersant-Daily* 6 and 11 June)
- **Motorola** (USA) announced that it will open a research laboratory in **St. Petersburg** that will employ 90 people by the end of 1997 at salaries comparable to those paid in the US. Russian scientists and engineers will develop software for use in Motorola products produced worldwide. Motorola opened a similar laboratory in Moscow in September 1995. The company has invested \$50 million in Russia overall and is considering opening production facilities, possibly in St. Petersburg. (*Kommersant-Daily*, 10 June)
- Detroit-based **Kelly Services**, the world's largest personnel firm, has bought **St. Petersburg's Personnel Corps**. The demand for qualified personnel is expected to be quite high. **Rothmans** and **Wrigleys** are building factories in the city, **Gillette** is about to begin production and **R. J. Reynolds** is expanding its activities. **Philip Morris** is building a \$300 million plant in **Leningrad Oblast**. **Ford Motor Company** is also considering plans to work in the oblast, although currently refuses to release any data. **Pepsi General Bottlers** will soon begin building a \$30-50 million plant as well. (*Kommersant-Daily*, 10 June)
- The **Japanese government** is providing a 15.8 million yen (\$150 million) credit to **Tatarstan's KamAZ** plant to modernize its production of diesel engines. (*Kommersant-Daily*, 10 June)
- Moscow's **Inkcombank** and **St. Petersburg** Governor Vladimir Yakovlev signed an agreement on 7 June according to which the bank will invest up to \$1 billion to modernize the city's economy over the next five years. The deal is Yakovlev's first success in attracting investment to the city. (*Kommersant-Daily*, 10 June)
- **Samara** airport has opened a international customs checkpoint which has the capacity to serve 15-17 flights a day. The project cost 11 billion rubles. (*Delo* [Samara], 3 June)
- The **World Bank** announced 6 June that it is prepared to lend Russia as much as \$6 billion over the next two years. One of the planned projects, the Health Reform Pilot Project, will provide a \$66 million loan to help improve family planning and reproductive and cardiovascular health in **Kaluga** and **Tver** oblasts. The bank's loan covers two-thirds of the project costs; the rest of the money will come from the project's beneficiaries.

-- **TACIS** has opened an office in **Irkutsk** to work on projects to supply the Baikal region with ecologically clean energy and to modernize the furnaces of the **Angara Oil Processing plant**. The project will spend \$1 million in 1997. The oblast is interested in developing programs to improve its administrative capacity and to encourage investment in the aviation industry. (Radio Rossi, 10 June)

-- The leadership of **Marii-El** has announced its intention to turn the republic into an "off-shore zone" in order to attract Russian and foreign investors. The investors will be freed from paying all local taxes for two years (*Vek* no. 20). Meanwhile, republican president Vyacheslav Kislitsyn is reportedly preparing a decree which will prohibit the export of money and raw materials from the republic. This measure is aimed at stimulating the regional processing industry, Kislitsyn said. (*Finansovye izvestiya*, 10 June)

-- The Russian Finance Ministry has blocked the bank accounts of the **Stavropol Krai** government due to its over 70 billion ruble (over \$12 million) debt. The regional administration had taken a 400-billion ruble loan guaranteed by the krai government and several local administrations for the **Caucasian Mineral Waters resort** which it was unable to pay back on time (*Vek* no. 20). In the meantime, Krai Governor Aleksandr Chernogorov said that he may introduce a state of emergency in the region during the harvest due to a shortage of finances and machinery. During that period, the administration will rigidly control financial flows in and out of the region. (*Segodnya*, 10 May)

-- **Yamal-Nenets Autonomous Okrug** governor Yurii Neelov has withdrawn a license on gas extraction from the region's largest gas company, **Norilskgazprom**. The company's debt to the okrug budget is 70 billion rubles (about \$12 million) since 1994. (*Rabochaya tribuna*, 4 June)

BORDER ISSUES

COSSACKS TO GUARD KAZAK BORDER. An agreement under which Siberian Cossacks will guard the Russo-Kazak border was signed in Omsk on 4 June by regional Federal Border Guards Service Chief Maj. Gen. Aleksandr Serov and Cossack leader Victor Kaletin, *Kommersant-daily* reported on 5 June. Serov said he intends to introduce such detachments along the whole Russo-Kazakstani border. Kazakstani President Nursultan Nazarbayev vigorously protested the move, but President Boris Yeltsin approved the initiative in a meeting with the head of the Federal Border Guards Service, Gen. Andrei Nikolaev, on 9 June (*Kommersant-daily*, 10 June). Cossacks have been allowed to guard sections of the border on an experimental basis since February and proved to be more cost-effective than regular border guard detachments. The legal status of the Cossacks and the question of whether they are entitled to carry arms remain unclear. Nazarbayev protested the use of Cossacks on the border because he believes it necessary to repress the Cossack movement in northern Kazakstan - Peter Rutland

DUMA FOCUSES ON BORDER ISSUES. A group of 118 Duma members, representing different political factions, have joined to form an new association called "Russia's Border," *Rossiiskaya gazeta* reported 5 June. The association plans to pass legislation protecting Russia's territorial integrity and defending its borders, and to coordinate the efforts of the Federal Border Guard Service with the executive branch, regional and local governments, and political parties. - Robert Orttung

REGIONAL LINKS

-- (<http://www.consultant.ru>) This site offers the text of Russia's draft tax code. It also has lists of regional affiliates that can answer questions on particular regions.

REGIONAL PROFILE: REPUBLIC OF BURYATIYA

President: Leonid Potapov

Leonid Potapov won the June 1994 elections, defeating then republican deputy prime minister Aleksandr Ivanov in the run-off.

Potapov, who worked as an engineer for about twenty years, joined the staff of the Buryatian Communist Party committee in 1976. Observers say that he was too liberal compared to his party comrades and was not promoted before the beginning of perestroika. In April 1990, he successfully stood in the elections for the post of *obkom* first secretary. Later, he was also elected to the republican Supreme Council and in October 1991 was elected its chairman. During the Russian Federation's first presidential campaign in 1991, Potapov supported the candidacy of former Soviet Prime Minister Nikolai Ryzhkov. He also was in opposition to President Boris Yeltsin in October 1993 and condemned him for shelling the federal parliament. Potapov objects to most of the president's economic policies. He denounced the 1992 liberalization of prices and advocates price controls and state support for the economy, particularly agriculture.

Other Local Leaders

Chairman of the People's Khural -- Mikhail Semenov, elected in July 1994.

Brief Overview

The Republic of Buryatiya, with a territory of 351,300 sq km, is located in a mountainous part of South-East Siberia and shares borders with the Republic of Tyva, Irkutsk and Chita oblasts, and Mongolia. The Buryats, the indigenous ethnic group, now make up less than a third of the republic's total population. They speak the Buryat language, but Russian and Mongolian are also widespread in the republic. The Buryats living east of Lake of Baikal are Buddhists, while western Buryats mostly practice Orthodoxy with borrowings from Shamanism.

The republic is one of the country's richest in mineral resources. It has extensive deposits of gold, coal, various non-ferrous metals, and other materials. However, not all deposits are well explored and developed. The republic is one of the largest energy producers in the area and exports energy to neighboring Chita Oblast and Mongolia, but in general it is not highly developed. Buryatiya also must import agricultural products even though over 13% of the republic's territory is devoted to agricultural uses and slightly less than half of its population is employed in the agricultural sector.

The republic hosts two important railroads, the Transsiberian and Baikal-Amur, which connect the central part of Russia with the Far East and countries of South-West Asia (China, Japan, Mongolia, and North Korea). These Asian countries are the republic's main trade partners. Mongolia, North Korea, the US, and South Korea are the largest investors in Buryatiya's economy.

Basic Facts

1995 Population (est.): 1,052,800 (0.71% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 0.38%

Agricultural production as percentage of all Russian production (1994): 0.72%

Average personal income index in July 1995: 79 (Russia as a whole = 100)

Price basket index in July 1995: 117 (Russia = 100)

Average back wages owed per person (September 1995): 96,900 rubles (Russian average = 37,100)

Urban population: 59.4% (Russia overall: 73.0%)

Student population (1993): 190 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 19.52%

Percent of population with higher education (1989 census): 11.8% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 23.4% (Russian average: 29.9%);

Agriculture: 14.9% (12.8%); Trade: 9.2% (9.1%); Culture: 15.2% (13.6%); Management: 2.9% (2.3%)

Number of telephones per 100 families (1993): in cities : 27.9 (Russian average: 41.5); in villages: 25.1 (17.2)

According to a 1995 survey by Bank Austria, the krai is ranked 81st among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Zyuganov: 40.22%/49.50% (first round/second round)

Yeltsin: 30.59%/45.30%

Lebed: 10.57%

Yavlinskii: 7.59%

Zhirinovskiy: 4.84%

Turnout: 64.02%/61.73% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 27.88%
Liberal Democratic Party: 8.62%
Communists -- Workers' Russia: 7.87%
Women of Russia: 6.55%
Agrarian Party of Russia: 6.29%
Our Home Is Russia: 5.57%
Party of Workers' Self-Government: 4.09%
Power to the People!: 3.69%
Yabloko: 2.76%
Russia's Democratic Choice: 2.48%
In a single-member district: 1 independent
Turnout: 63.76% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 55.22% "No" -- 40.06%

1993 Parliamentary Elections

Party of Russian Unity and Concord: 17.39%
Liberal Democratic Party of Russia: 17.32%
Communist Party of the Russian Federation: 15.58%
Russia's Choice: 13.24%
Women of Russia: 11.96%
Yabloko: 5.76%
Agrarian Party of Russia: 5.47%
Democratic Party of Russia: 4.79%
In a single-mandate district: 1 Agrarian Party of Russia
Turnout: 56.17% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 34.53%
Ryzhkov: 25.03%
Tuleev: 20.15%
Zhirinovskiy: 11.44%
Bakatin: 2.54%
Makashov: 2.35%
Turnout: 77.79% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95* [Russian regions on the eve of 1995 elections], Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam* [Results of the 17 December 1995 elections, regional breakdown], Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995* [State Duma elections

1995], Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii [Governors of Russia]*, Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.

Compiled by Anna Paretskaya

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TABLE OF CONTENTS

Breaking News

A survey of key events in Russia's Regions

Special Research Report

Understanding Russian Regionalism-- What Remains To Be Done

Center-Periphery Relations

Primore Enemies Meet

Yeltsin Makes Local Government a High Priority

Patterns of Regional Development

Ingushetiya Celebrates Fifth Anniversary

Sakhalin Anti-Corruption Crusader Blocked from Office

Stavropol: "Red Belt" Not So Red

Social Issues

Organized Crime in Russia's Regions

Anti-Nuclear Referendum Fails

Kalmykiya Is Running Dry

Striking Rostov Teachers Turn to Internet for Help

Ethnic Conflict and Regional Separatism

Kabardino-Balkariya Departs Chechen Migrants

Business Briefs

A Weekly Summary of Key Deals in the Regions

Border Issues

Guarding Chechnya's Borders
Rybkin: Kaliningrad's Significance Grows
Foreign Political Ties
Moscow Signs Cooperation Agreement with Azerbaijan
Regional Links
Don Cossacks
Regional Profile: Republic of Khakasiya
Advertisement
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BREAKING NEWS

2 June

-- Liberal Democratic Party of Russia (LDPR) leader Vladimir Zhirinovskiy visited **Pskov Oblast**, the only one of Russia's 89 republics and regions to have elected an LDPR party member as its governor, *Pskovskaya pravda* reported 3 June. Zhirinovskiy stressed that his party would use its influence to defend Pskov's interests. The party won the governorship largely because of the tension caused by on-going border disagreements with neighboring Baltic states.

6 June

-- **Tver Oblast** Governor Vladimir Platov, who is facing a recall effort, accused the local communists of preparing massive public disturbances at a 5 June press conference. The local branch of the Communist Party of the Russian Federation denounced the charges, pointing out that the recall was an alternative to such protests. (*Tverskaya zhizn*, 7 June)

10 June

-- Miners of the Vorkutaugol company (**Komi Republic**) returned to work after having been on strike since 1 June. The strikers were demanding the payment of their wages and other social benefits. The miners ended their strike after First Deputy Prime Minister Anatolii Chubais promised to pay 250 billion rubles (about \$45 million) to the miners within a month. (*Segodnya*, 11 June)

-- Chubais delivered a report to the **Federation Council** about the first 100 days of the new government. He said that the government plans to strengthen the role of the state in the economy, particularly with regard to finances, control over natural monopolies, and social policy. He called on the council members to play a greater role in adopting next year's budget. (*Segodnya*, 11 June)

13 June

-- Russian Prime Minister Viktor Chernomyrdin and **Chechen** President Aslan Maskhadov, meeting at the resort city of Sochi where Chernomyrdin is spending his vacation, signed a memorandum on banking, customs, and oil issues. The memorandum stipulates that Azerbaijani

"early oil" will go to the Russian port of **Novorossiisk** via Chechnya. The sides also agreed that Grozny's Sheikh Mansur airport will be granted international status. (Russian media)

-- Dmitrii Rogozin's Congress of Russian Communities (KRO) announced its support for Gennadii Khodyrev in the 29 June **Nizhnii Novgorod** gubernatorial election (*Partinform*). Khodyrev, the main rival of the pro-governmental nominee, Nizhnii Novgorod Mayor Ivan Sklyarov, has already won the support of the Communist, Agrarian, and Liberal Democratic parties. Additionally, the KRO condemned the federal government for treating **Chechnya** as an independent state rather than a member of the Russian Federation. (*Nezavisimaya gazeta*, 17 June).

-- The **Federation Council** approved Lyudmila Zharkova as the 19th member of the Constitutional Court. She has served on the Constitutional Court of **Kareliya** since 1994. (*Segodnya*, 14 June)

-- After Minister of Internal Affairs Anatolii Kulikov saw 500 prostitutes along **Moscow's** Tverskaya street during a late night drive, he decided to launch a campaign to clean up the city center. He proposes allowing prostitution along the Kotelnicheskaya Embankment, but not in the downtown areas that will be the center of the city's upcoming 850th anniversary celebrations. (Russian Public Television, 13 June)

14 June

-- **Chechen** military commanders, meeting in Grozny, agreed to create a watchdog group that will be independent from the republican electoral commission and the parliament to monitor the mayoral election in Grozny. The commanders, who included current republican Deputy Prime Minister Shamil Basaev, Akhmed Zakaev, and Abu Movsaev, accused republican authorities of being unable to guarantee the integrity of the 31 May voting. The balloting on that day was declared invalid because of numerous irregularities. (*Segodnya*, 16 June)

15 June

-- Former **Tula Oblast** Governor Nikolai Sevryugin, arrested 10 days earlier, was released from detention and admitted to the hospital after suffering a stroke. Due to the deterioration in Sevryugin's health, the procurator has not filed official charges against him, a step it is supposed to take within ten days after arrest. However, the oblast procurator says the documents will be completed soon since there is considerable evidence against Sevryugin. (*Segodnya, Izvestiya*, 17 June).

-- More than 200 journalists from 48 regions gathered in **Novosibirsk** to participate in an all-Russian regional press festival. In 1997 the federal government has basically stopped financing local newspapers. A federal law on financing raion newspapers had specified giving 410 million rubles (\$71,000) to 1,900 publications. But this money was not included in the 1997 federal budget, forcing journalists to become self-sufficient. As a result, average salaries for reporters in **Tver, Yaroslavl, and Novgorod** oblasts is not higher than 300,000 rubles (\$50) a month,

while correspondents in **Kursk** and **Belgorod** receive 500,000 rubles. A circulation of 10,000 is considered huge for regional papers and only 40% have a significant subscriber base, since many readers can't afford the fees to have the paper delivered to their house. (NTV, 15 June)

16 June

-- Workers of the Amur Shipbuilding Works (Komsomolsk-na-Amure, **Khabarovsk Krai**) and employees of the **Kemerovo** oblast chemical industry went on strike because they have not received their wages since the end of last year. In addition to the payment of the money they are owed, they are demanding the resignation of the federal government. If their demands are not met, Kemerovo trade unions are threatening to launch a general political strike on 11 July demanding the resignation of President Boris Yeltsin. (NTV, *Nezavisimaya gazeta*, 17 June).

--The **Dagestani** branch of Gazprom announced that it would cut natural gas supplies to the republic in half, effective immediately, until the republic pays off its debt for gas already delivered. The republic owes more than 250 billion rubles (\$43 million). (Radio Rossii, 17 June)

--Both KPRF leader Gennadii Zyuganov and LDPR leader Vladimir Zhirinovskiy visited **Nizhnii Novgorod** to support their mutual candidate in the gubernatorial elections, former Obkom First Secretary Gennadii Khodyrev. Zhirinovskiy told journalists that if Khodyrev wins, he will give the LDPR key posts in the administration. (Russian Public Television, 16 June)

SPECIAL RESEARCH REPORT

UNDERSTANDING RUSSIAN REGIONALISM--WHAT REMAINS TO BE DONE

Peter J. Stavrakis, Deputy Director, The Kennan Institute & Associate
Professor, University of Vermont

In a remarkably short period, the need to examine and comprehend the dynamics of Russian regional politics has acquired an importance that rivals the attention Western analysts customarily lavished on the court politics of Moscow. The openness of formerly inaccessible regions and peoples will soon provide the basis for rewriting Russia's past as well, to assess the impact of regional processes on what has traditionally been viewed--with some notable exceptions--as an exclusively center-dominant system. Of course, the process of political transformation is far from complete within Russia, leading to the emergence of a complex regionalism, unprecedented in its degree of decentralization, yet ambiguous and unstable due to the unsettled nature of center-regional power relations. It appears likely that Moscow's new elite will see it as desirable to curtail the autonomy of regional elites, as reflected by recent events in Primorskii krai where the Yeltsin reform team has been applying pressure to Governor Yevgenii Nadzratenko. This shrewd maneuver--focusing on removing an unpopular governor while simultaneously trying to set a legal precedent for central intervention against popularly-elected regional officials--testifies to the creativity of Moscow's acquisitive impulse. Whether this succeeds or not, such conflicts are indicative of the range and fluidity of political and

economic struggles. Shaping the terrain of post-Soviet Russia remains very much a high stakes affair.

As if the reality of a decentralized empire were not sufficient challenge, the West remains hampered by its own epistemological baggage. The preference for viewing Russia through the prism of federalism is perhaps the most obvious instance where our analytical knowledge fails to grasp the nature of Russian reality. Despite of the absence of the key elements for a federal system--a constitution, the separation of powers, and the rule of law, Russian regions are still cast in the role of actors within a federal system. The normal agenda of subfederal units such as tax legislation, elections, the development of a market economy, etc., still remain hostage to initiatives emanating from Moscow and the ever-shifting context of negotiations between regional and central elites. Alternative explanations such as "hyperfederalism," "asymmetrical" federalism, or confederalism, do not succeed in escaping from the Western conceptual straightjacket of the law-governed state.

This is not to say that regions have not extracted major concessions from the center; it is simply that they have succeeded in doing it in a manner typical of the Russian empire. Power in provincial Russia is less a contest refereed by legal norms and political institutions than a set of power relations negotiated between key political elites. The results of such agreements, in stark contrast to a federal system, depend heavily on the character of the elites and are therefore subject to abrupt change. Governor Viktor Stepanov, for example, used his personal relationship with Yeltsin and Sergei Shakhrai, to negotiate a tax holiday for the republic of Kareliya in 1993. But by 1994, personalities had changed and the federal government abruptly rescinded this status. It was restored for an additional year only through the personal intervention of Stepanov in Moscow. Regional elites thus circumvent constitutional norms to strike their own bargains with the center, creating a set of bilateral agreements that cannot be easily reconciled within a single constitution. It is as if Russia and its new rulers have retained their traditional practices despite the presence of new formal institutions. Imperial habits have insinuated themselves into democratic practice, creating a heterodox system. If federalism is in Russia's future, it is far likelier to be of the Brazilian or Canadian, and not American type.

Western studies of regional politics also focus on leadership and economic performance in ways that often obscure other important features of the regional landscape. There is no doubt that governors such as Boris Nemtsov and Mikhail Prusak have been central figures in pushing through important and ingenious economic reforms in their regions. Nizhnii Novgorod and Novgorod are better governed than Kareliya or Krasnodar. But Olga Kryshtanovskaya had made the important observation that, from the outset of the post-Soviet period, regions have been rewarded in direct proportion to their loyalty to Boris Yeltsin. A careful analysis of who said what and supported whom during the events of October 1993 might be as good a predictor of regional success as any other we might produce. Relatedly, the impact of the Soviet system appears to have been recognized, yet poorly integrated into our understanding of the potential of individual regions. Aleksandr Galkin and Joan Debardeleben have made an important step in this direction by analyzing regional politics based on a typology that incorporates the industrial legacy of the Soviet era. This typology helps us to identify regions, for example, where even the most enlightened leadership would have difficulty surmounting structural barriers.

A third fact of Russian regional life that we have yet to come to grips with is the unquestioned supremacy of Moscow in a manner that risks overwhelming rosier pictures of regionally devolved political and economic power. Moscow grows richer by the minute, monopolizing much of the country's investment capital and human resources. The primacy of Moscow within Russia is, of course, nothing new. What is new, however, are the realities of international economic competition; Russia must find the capacity to develop multiple urban areas of dynamic growth, or it risks suffering the fate of many developing countries. The Russian future therefore rests on an unusual scalene political triangle of central government, Moscow, and the rest of the country, each of which must play a crucial role to ensure transition.

Finally, we must be mindful of the fact that much of the focus on regions is a product of the historic novelty we have been treated to at the end of the millennium. Moscow and the world's attention have been diverted by the great struggle to defeat the vestiges of communism and implant electoral institutions. Now that that battle appears won on largely favorable western terms, Russia has slipped from public view, central elites are able to extend the tentacles of recentralization, and the regions will no longer be able to count on an inquisitive outside world to support their efforts. Boris Nemtsov moved to Moscow and Western attention has followed him. Few appear intrigued by the spectacle of the former governor of Nizhnii Novgorod, now First Deputy Prime Minister of the Russian Federation, leading a campaign to unseat the elected governor of Primorskii Krai. We should take care that our fascination with leadership not inhibit us from recognizing the threats to the fragile new regionalism in Russia.

CENTER-PERIPHERY RELATIONS

PRIMORE ENEMIES MEET. The battle over Primorskii Krai continued unabated during the last week. While the Russian media tend to take the side of one or another of the antagonists, the dispute is extremely complex, with pros and cons on both sides.

The Kremlin has continued expressing its desire for the zero option -- the resignation of both Primorskii Krai Governor Yevgenii Nazdratenko and Vladivostok Mayor Viktor Cherepkov. Following his 11 June visit to the republic, First Deputy Prime Minister Boris Nemtsov called for new elections, noting that he had served as governor for five years and would have resigned if the president or prime minister had asked him to do so (ORT, 15 June). President Yeltsin gave his own support to this idea. Nemtsov has also called for new mayoral elections in Vladivostok to replace Cherepkov. The region is facing severe energy shortages while the governor and mayor continue their long running feud.

Nazdratenko has tried to shore up his position by pointing out that he has no differences with Yeltsin, but only with Chubais and that he had never promoted separatism (Russian Television, 15 June). He also claimed that the president had approved his plan to charge residential energy users low prices while military units were charged higher prices, refuting the argument that he is to blame for the policy of differential pricing.

Nazdratenko and Cherepkov met secretly on 18 June. Cherepkov told the Duma the next day that Nazdratenko had no intention of resigning (*Kommersant-Daily*, 19 July). In 1994, Nazdratenko, then a presidential appointee, forcibly removed the mayor, who had been popularly elected, accusing him of abuse of office.

In the meantime, chairman of the regional electoral commission Sergei Knyazev declared that if the early gubernatorial elections are held they will be illegitimate, since the regional electoral law allows such voting only if the governor retires at his own will, rather than being removed from office by presidential decree or popular referendum. - Anna Paretskaya in Moscow

YELTSIN MAKES LOCAL GOVERNMENT A HIGH PRIORITY. President Boris Yeltsin set up a federal Council on Local Government on 29 May to coordinate efforts to reform the country's lowest level of government. Deputy Chief of Staff Maksim Boiko will organize the work of the commission which replaces one that had been created in August 1995 (*Rossiiskaya gazeta*, 10 June). The commission's members include key federal officials such as Chubais, Nemtsov, Deputy Prime Minister Oleg Susuev, and Minister of Internal Affairs Kulikov. Key local leaders on the panel tend to be generally pro-Yeltsin figures such as Moscow Mayor Yurii Luzhkov, Sverdlovsk Governor Eduard Rossel, and Vologda Governor Vyacheslav Pozgalev. Of the regions where there have been battles between local and regional leaders lately, Izhevsk Mayor Saltykov is on the council but Udmurtiya's key executive Aleksandr Volkov is not. Neither Nazdratenko nor Cherepkov is on the council. Sysuev claimed that the local government council would have the same authority as the Security and Defense Councils (*Segodnya*, 17 June).

Russian Public Television described the Council's first meeting on 10 June as another attempt by the Kremlin to organize the mayors into a force that could be used to circumscribe the power of the elected governors. Rossel, who has been critical of Moscow's attack on Nazdratenko and is setting up six administrative districts to control local leaders in his oblast, was skeptical about the formation of the new council (*Kommersant-Daily*, 11 June). Ingushetiya's President Ruslan Aushev, who is not a member of the Council, said that it was not necessary since the existing institutions would be sufficient if they were actually functioning.

On 11 June Yeltsin signed a decree on local government which defines the tasks to be completed. The decree calls for finalizing the legislative basis of local government, defining the economic basis on which local governments should operate, and transferring land to local governments (*Rossiiskaya gazeta*, 17 June). Strengthening the economic base of local government should give it the ability to act more independently than it does now.

The central problem localities have in attracting investment is that property rights are not well defined, according to Boris Mins, the head of the presidential staff's department on local government (*Ekho Moskvy*, 10 June). Land belongs to the federal government, but firms are registered by municipalities. Investors are afraid to put money into enterprises while these legal contradictions remain. Yeltsin's decree seeks to define a procedure to resolve these difficulties, Mins asserted. - Robert Ortung

PATTERNS OF REGIONAL DEVELOPMENT

INGUSHETIYA CELEBRATES FIFTH ANNIVERSARY. On 4 June the republic of Ingushetiya celebrated its fifth anniversary, *Rossiiskie vesti* reported on 11 June. In 1992 Ingushetiya split away from Chechnya, making it the Russian Federation's newest republic.

In October 1992 armed conflict broke out between Ingushetiya and North Ossetiya over the Prigorodnyi district, which was populated by Ingush but had been given to Ossetiya in 1944, when the entire Ingush population had been deported to Kazakstan (from whence they returned in 1956). Several hundred people were killed in the 1992 fighting, and Russian troops moved in as peace keepers in November 1992. Since then there has been an uneasy truce in the region, punctuated by the assassination of the Russian commander in August 1993, amid increasing pressure from 40,000 Ingush refugees who want to return to Ossetiya. It is generally assumed that Moscow favors the Ossetiyan side, in part because it tends to prefer the status quo in territorial disputes, and partly because the Ossetiyans are Christian while the Ingush are Moslem.

Ingush hopes were raised by the appointment of Ingush Vice President Boris Agapov to become one of six deputy secretaries of the Russian Security Council. In an unusual move, in March 1993 Ingush president Ruslan Aushev had picked Agapov, an ethnic Russian who was formerly a Lieutenant General in the border guards, to be his vice-president (even though at the time Agapov was not even living in the republic), *Itogi* reported on 17 June. Aushev, a former Soviet Army general, met Agapov through Afghan veteran circles, and presumably reasoned that he would be a good advocate for Ingushetiya in Moscow.

The celebrations in Nazran, the Ingush capital, were attended by many leaders from Russian regions and from the north Caucasus - including Chechen president Aslan Maskhadov. Even Yurii Biragov, prime minister of North Ossetiya, was in attendance and gave a speech which was received with "restrained, but entirely friendly applause." Mintimer Shaimiev and Murtaza Rakhimov, presidents of Tatarstan and Bashkortostan, signed a cooperation treaty with Ingush president Ruslan Aushev, and reportedly discussed the idea of creating a "chamber of nationalities" inside or parallel to the Federation Council to boost the collective influence of Russia's 21 ethnic republics. Aushev told *Rossiiskie vesti* that "Ingushetiya and its people are going through an ethnic revival at the moment," but stressed that "we see ourselves in the future as being part of a powerful, thriving Russian Federation." - Peter Rutland

SAKHALIN ANTI-CORRUPTION CRUSADER BLOCKED FROM OFFICE.

According to preliminary results, Kuril Fish Factory Director Ivan Sanzharov won the 16 March mayoral elections in Iturup (a raion in Sakhalin Oblast) by 179 votes, 5% of the votes cast, but he still has not been able to take office. He is known in the region for his damning articles against official corruption, according to *Svobodnyi Sakhalin* (6 June). Despite his apparent victory, the final results of the balloting have not been published. The incumbent Mayor, Anatolii Svetlov, who has the support of the Kuril fish industry, has demanded that Sanzharov be disqualified for electoral violations. The territorial electoral commission initially ruled the elections invalid, but the oblast electoral commission overturned the decision and declared challenger Sanzharov the winner. The courts are currently examining the case while the region remains without an executive. - Robert Orttung

STAVROPOL: "RED BELT" NOT SO RED. Despite the fact that 55.1% of the Stavropol Krai population voted for a communist governor in the second round of the recent elections, following the 20 April elections only 9.4% of the members of local councils and 7% of the

mayors now serving claim allegiance to the Communist Party. The rest of the mayors have no party affiliation, except for one each from Yabloko, Vladimir Zhirinovskiy's LDPR, and the pro-Communist bloc, the People's Patriotic Union of Russia, *Vechernii Stavropol* reported 24 May. According to the paper's analysis, the non-communist mayors will not necessarily oppose Governor Aleksandr Chernogorov plans, but they are not bound by party discipline. After the February-March 1996 elections, the Communists held 28.6% of the seats in the local councils, so the drop in their representation to 9.4% marks a significant decline in the Communists' public support. Executives are usually elected on the basis of personal qualities, with party membership meaning little. The members of the councils, however, are largely unknown to the population and voters usually chose among them on the basis of party identity, according to the paper.

The reasons for the Communists' drop in popularity are not entirely clear. Chernogorov has not been in power long enough to disappoint the population. Moreover, there is no group that is organized enough to counter the Communists. The voters seem to have merely become disillusioned with the party and are turning to others for leadership. - Robert Orttung

SOCIAL ISSUES

ORGANIZED CRIME IN RUSSIA'S REGIONS. With the emergence of a market economy in Russia, contract killing rather than contract law has emerged as a major instrument of dispute resolution. Each week in Russia there are a dozen or so contract killings, only 10% of which are ever solved. Interior Minister Anatolii Kulikov told a government meeting on 13 June that more than 9,000 criminal gangs are now operating in Russia, employing around 100,000 people. Although most of the more spectacular crimes take place in the Moscow region - as in the 15 June assassination of Larisa Nechaeva, the director of Russia's top soccer club Spartak - organized crime has sunk its roots into nearly all of Russia's regions. This is illustrated by two stories from last week:

* Anatolii Yefimov, a deputy in the Gorno-Altai republican parliament, was arrested on 15 June on charges of ordering the contract killing of business rivals, NTV reported. Yefimov is the owner of 20 stores in the republic and a reputed ruble billionaire. Yefimov was accused of ordering the killing of Nadezhda Batalova, a local company director who won a court case against Yefimov for ownership of the largest department store in the city of Gorno-Altai. Police caught the assassin, who told them that Yefimov ordered the killing. Yefimov could only be arrested after the parliament (State Council) voted to lift his immunity, which it did on 15 June.

* A criminal leader of the Kemerovo region, the "thief in law" Yevgennii Yevseev, was shot dead on 11 June, *Kommersant daily* reported on 14 June. (A "thief in law" is a follower of the elite honor code established by leading criminals in Soviet times.) The leading crime boss in the Kuzbass region, "Makoshi," was arrested last month, and police suspect that the killing of Yevseev signals that a turf war has broken out between rival leaders in the wake of Makoshi's arrest. A similar conflict in Kemerovo in 1994 resulted in several dozen deaths. The former top crime boss of the region, Eduard Romanov, returned to Kemerovo from his Moscow exile

earlier this month. He was arrested by police on 7 June, who stopped a car in which he was traveling and found opium and a hand grenade in his pocket.

These cases illustrate that organized crime is a serious problem even in economically depressed and outlying regions of Russia, and is not confined to the rich pickings of Moscow. However, they also show that the local police are not completely powerless - in both cases, suspects were arrested.

Western academic opinion is sharply divided over the likely future development of organized crime in Russia. Optimists draw the analogy with the "robber baron" era of U.S. development. They suggest that successful criminals will move up from illegal activities (prostitution, money-laundering, smuggling, etc.) into legitimate businesses, in order both to make more money and to have the peace of mind to enjoy it. Pessimists suggest a more gloomy scenario along the lines of Southern Italy, where over the past century entrenched crime has strangled local businesses and scared away legitimate investors. Given Russia's size and diversity, and given the continuing erosion of effective federal crime-fighting organs, it is likely that both these scenarios will play out, at varying speeds, in different regions of the country. - Peter Rutland

ANTI-NUCLEAR REFERENDUM FAILS. Voters in the Primorskii Krai city of Bolshoi Kamen on 12 June had the opportunity to participate in a referendum that asked the question, "Do you support the construction of a facility to process liquid radioactive waste and temporarily store it on the grounds of the Zvezda factory?" Only 44.2% of the voters participated, short of the required 50% for the vote to be valid, *Vladivostok* (<http://vl.vladnews.ru>) reported 16 June. Of those voting, 94% said no, 5.3% said yes, and 0.7% of the ballots were spoiled. The same question cannot be put to the voters again for another two years. At the end of last year, Kostroma overwhelmingly approved a similar referendum and Krasnoyarsk is considering holding one. - Robert Ortung

KALMYKIYA IS RUNNING DRY. The Republic of Kalmykiya is home to Europe's first desert, the Interpress service reported 10 June. Desertification affects 82% of land and is severe over 43% of the land. This has arisen due to over-grazing, primarily by sheep, and the introduction of irrigation-based arable farming. The republic is seeking help from the United Nations and European Union to tackle the problem. Desertification processes are affecting 100 million hectares in the Astrakhan, Volgograd and Rostov regions, the Altai krai and the republics of Tyva and Dagestan. Kalmykiya's other claim to fame is that it is the only predominantly Buddhist state in Europe. - Peter Rutland

STRIKING ROSTOV TEACHERS TURN TO INTERNET FOR HELP. Striking teachers in Taganrog (Rostov Oblast) sent out a message for help on the Internet to various contacts, *Segodnya* reported 11 June. A school in Kharkov responded with a set of instructions on how to sue the city administration. However, the conflict took on international dimensions when a French lycee connected to the school asked the French embassy in Moscow for help. The embassy passed on a message to the executive branch which eventually

worked its way to the city administration. The local officials were then able to win a 20 billion ruble credit from the Rostov Savings Bank to pay off the strikers. However, to punish the upstart teachers, the administration confiscated a printer from the computer class and issued a decree forbidding the use of the Internet as "a means of political battle." - Robert Ortung

ETHNIC CONFLICT AND REGIONAL SEPARATISM

KABARDINO-BALKARIYA DEPORTS CHECHEN MIGRANTS. Between 10 June and 1 July, the Kabardino-Balkariya authorities are forcibly returning Chechen refugees in the republic to their homeland according to a telegram sent in the name of the refugees to the Coordinating Council for Aide to Refugees and Forced Migrants. The action follows a 20 May republican decision "On measures to aid forced migrants from Chechnya in returning to their place of permanent residence." The Kabardino-Balkariya Ministry of Internal Affairs is carrying out the action, *Nezavisimaya gazeta* reported 17 June. The newspaper compared the forced movements of people to the actions directed by Lavrentii Beria during the Stalinist era and called on republican and federal authorities to denounce the deportations. - Robert Ortung

BUSINESS BRIEFS

-- The Russian airline **Aeroprif** has restored service between **St. Petersburg** and Vilnius as of 9 June, after a five year break following the collapse of the Soviet Union. The airline hopes to fly 5,000 passengers to Lithuania by the end of the year. (*Sankt Peterburgskie vedomosti*, 10 June)

-- A syndicate of 30 foreign banks has given **Moscow** a credit of \$200 million. The money will be used for several shopping centers projects - reconstructing Gostinii Dvor, finishing the new complex on Manezh Square, and building the international trade center Moscow-City. (Moscow Television 11 June)

-- President of **Reynolds Metals** Randolph Reynolds recently visited the **Sayanogorsk Aluminum Factory (Khakasiya)** and announced plans to help the factory export its products to China and other countries in the Pacific region. Reynolds believes that there is a market for about 15,000 tons of foil, approximately \$100 million. Although the factory is the most modern in Russia, it is only producing at a third of its capacity. Reynolds owns 15% of the stock in the factory, the Italian **Fata** owns an additional 15% and the factory management owns 70%. (*Ekspert*, 9 June)

-- The management of the **Novolipetsk Metallurgy Combine** has decreed that stockholders will not have a chance to elect a new board of directors at the 12 July annual meeting. On 11 June, however, a group of investors (**Cambridge Capital Management, Renaissance-Capital, and MFK Bank** [part of Vladimir Potanin's **Oneximbank**]) opposed to the current management gained more than 50% of the company's stock. The management has fought a two-year battle to keep the outside investors from naming their representatives to the board.

Renaissance-Capital is now suing the management in a **Lipetsk Oblast** court since the law on joint stock companies requires a vote on the board of directors at the annual meeting. In turn, the management is trying to gain control of MFK's 14.85% share, which it holds in trust as part of the 1995 loans for shares scheme. (*Kommersant Daily* and *Moscow Times*, 14 June)

-- **Ulyanovsk's Aviastar** factory will build wings and **Nizhnii Novgorod's Gidromash** will build undercarriages for the Superairbus A-3XX, Economics Minister Yakov Urinson announced 16 June. Details of the agreement have yet to be defined. (*Finansovye izvestiya*, 17 June)

-- The **Sakha (Yakutia)** government is preparing to sell 49% of the stock in **Sakhazoloto (Sakha Gold)**, *Segodnya* reported 14 June. During a recent trip to the republic, First Deputy Prime Minister Anatolii Chubais criticized the regional authorities for not trying to raise capital through further privatizations.

-- A delegation from South Korea's **Samsung** visited **Novgorod** 26-27 May to examine the possibility of building television sets there. Samsung hopes to sell 2 million TVs in the CIS next year. (*Novgorodskie vedomosti*, 30 May)

-- **St. Petersburg** Governor Vladimir Yakovlev has created a Council for Promoting Foreign Investments which brings together members of the city administration and business leaders. Chairman of the Committee on Economic and Industrial Policy Dmitrii Sergeev told a 13 June meeting of the group that the administration had already reached preliminary agreement with federal authorities on customs and borders issues in creating a zone in the city with special benefits for investors. (St. Petersburg Television, 13 June)

-- **Daewoo** is planning to sell its 10% stake in the **Krasnoyarsk Aluminum Factory**. The South Korean company is dissatisfied with the plant's management. In 1994 Daewoo gave the plant 100,000 tons of alumina for processing into aluminum as well as a \$35 million advance, but was only able to get its metal this year. The factory is in trouble since its debts have risen to 2.4 trillion rubles (\$400 million). Additionally, many of its best technical managers are leaving. (*Segodnya*, 17 June)

-- The Czech car-maker **Skoda's** plans to build an automobile assembly plant in Safonovo (**Smolensk Oblast**) have been postponed for the indefinite future. The federal government has refused to provide customs benefits in order to protect domestic producers. (*Kommersant-Daily*, 17 June)

-- **St. Petersburg** Governor Vladimir Yakovlev and the Director of **Pioneer First** have agreed to set up a mutual fund that will specialize in investments in the NorthWest region. (*Kommersant-Daily*, 17 June)

BORDER ISSUES

GUARDING CHECHNYA'S BORDERS. The 80 kilometer border between Chechnya and Georgia is currently being guarded by Russian border guards ... on the Georgian side of the border, under an agreement with Tbilisi. The commander of the Federal Border Guards Service, Gen. Andrei Nikolaev, said recently that "sooner or later" he expects to see Russian troops on the Chechen side of the border. (Russian agencies, 14 June) Chechnya's border with Russia, which is 320 kilometers long, is treated as an "internal" border within the Russian Federation, and is guarded by interior ministry troops and not border guards. Russian government officials still insist on treating Chechnya as part of the Russian Federation - a point noted for example by Deputy Secretary of the Security Council Boris Berezovskii on Russian TV on 17 June. They argue that the Khasavyurt peace accord of August 1996 which ended the war froze any change in Chechnya's legal status for five years.

Russian troops also guard the border between Georgia and Turkey, and between Georgia and its breakaway province of Abkhazia. In general, Russia pursues a policy of guarding the "external" borders of the former Soviet Union wherever possible. They have agreements to station their border guards in Armenia, Georgia and all the Central Asian republics save Uzbekistan. - Peter Rutland

RYBKIN: KALININGRAD'S SIGNIFICANCE GROWS. After Russia recently signed agreements with NATO, Ukraine, and Belarus, the strategic importance of Kaliningrad Oblast, the part of the country furthest west, increases, Russian Security Council Secretary Ivan Rybkin said while on visit to the region. Due to the changed geo-political situation, the approach of the federal government toward the region should also be adjusted, he argued (*Vek*, no.21).

While Lithuanian parliamentary speaker Vitautas Landsbergis has demanded the withdrawal of Russian troops from Kaliningrad after the Russian Federation signs a treaty with NATO, Rybkin, in an interview with *Kaliningradskaya pravda* declared that Russia would never agree to do this (*Kommersant-Daily*, 8 May). He said that the country is keen on keeping its presence, including the military, in the Baltic region, while NATO's military predominance in the region would limit the area of the Russian Baltic fleet's operations and may threaten the sovereignty of Kaliningrad Oblast. According to a recent opinion poll, over 85% of the oblast's residents support the preservation of the region's current status as part of the Russian federation, *Vek* reported. Rybkin also stressed that the military reform now being prepared by the Defense Ministry is crucial for maintaining an effective army and fleet presence in the area.

Because of the region's significance to the whole country, the federal government must assist Kaliningrad in overcoming its present economic hardship, Rybkin said. For instance, the government should help the region's fishing industry, which used to make up the bulk of the oblast's exports to other regions and abroad but now is in decay due to the absence of funding. He also suggested that the territory of the regional free economic zone Yantar (Amber) be cut to 4-5 sq km, a world standard for the efficient functioning of such zones. - Anna Paretskaya in Moscow

FOREIGN POLITICAL TIES

MOSCOW SIGNS COOPERATION AGREEMENT WITH AZERBAIJAN. While visiting the Azerbaijani capital Baku on 14-15 June, Moscow Mayor Yurii Luzhkov, signed an agreement on economic, commercial, cultural, and scientific cooperation with republican President Geidar Aliev, Russian media reported. Leaders of the republican and city departments on health care and education also agreed to work together. While officially Luzhkov's visit was devoted to discussions of Moscow's upcoming 850th anniversary celebrations, observers agree that one of the visit's main purposes was to negotiate the supply of Azerbaijani oil to Moscow and examine the possibilities for joint oil extraction. Moscow needs an estimated 10 million tons of oil and 29 billion cubic meters of gas annually. Luzhkov, speaking to journalists after his negotiations with Aliev, said that Moscow is particularly interested in receiving oil from Azerbaijan and suggested that the city purchase its own oil field in the Azerbaijani part of the Caspian Sea, *Nezavisimaya gazeta* reported on 17 June. According to Aliev, several Russian oil companies, including LUKoil and Rosneft, have already approached the republican government with proposals to work together. The republic is now also negotiating with Moscow's Central Fuel Company, recently created under the directorship of former Russian Energy and Fuel Minister Yurii Shafranik, about possible joint oil extraction. - Anna Paretskaya in Moscow

REGIONAL LINKS

-- (<http://www.nts.rnd.su/rkazach/rkazach.html/>) This site provides extensive information about the Don Cossacks, including a short history of the group, a chronology of their recent revival, information about Novocherkassk, and information about the Cossacks military formations.

CORRECTION: The Japanese government will lend KamAZ 15.8 billion yen (\$150 million), not 15.8 million as reported last week.

REGIONAL PROFILE: REPUBLIC OF KHAKASIYA

Chairman of the Council of Ministers: Aleksei Lebed

Aleksei Lebed, a retired colonel and the younger brother of former Russian Security Council Secretary Aleksandr Lebed, was elected chairman of the Khakasian Council of Ministers in December 1996, beating seven opponents, including the incumbent republican prime minister, Yevgenni Smirnov. He fell slightly short of an outright victory in the first round, receiving 42% of the vote, but swept a landslide majority of 71.85% in the run-off. A year earlier, Lebed was elected to the State Duma from a Khaksiyan single-member district with almost half of the votes.

His participation in the gubernatorial race was initially blocked by the regional electoral commission which refused to register Lebed since he had not been living in the republic for the previous seven years, a requirement of the electoral law. He challenged the commission's decision and the Russian Supreme Court ordered that Lebed be registered since federal legislation prohibits residency requirements of more than one year.

Lebed was reportedly elected with the financial support of the management of the Sayanskii Aluminum Works (SaAZ), the republic's largest enterprise and the third largest aluminum producer in the country. Upon election, Lebed invited SaAZ former Deputy Director Arkadii Sarkisyan to be first deputy prime minister in charge of economics, finance, mass media, and law-enforcement agencies.

Two months after being elected, Lebed ordered machine gun-toting officers from the local Interior Ministry branch to confiscate financial documents from the city hall of Sayanogorsk, the republic's second largest city. Sayanogorsk Mayor Sergei Bondarenko is a long-time opponent of the SaAZ directorship. During the raid, he ordered the closure of the local TV and radio stations which had run several anti-Lebed programs during the campaign. Lebed also used force in auditing Chernogorsk city officials even though local leaders did not oppose the investigation.

Other Local Leaders

Chairman of the Supreme Council -- Vladimir Shtygashev, elected in January 1997

Brief Overview

Khakasiya, whose territory is 62,000 sq km, is located in the south of West Siberia, on the left bank of Yenisei river. Until 1991, it was an autonomous oblast within Krasnoyarsk Krai. While in the beginning of the century the Khakas made up over two thirds of the population, their current share is just over 10% and the vast majority of the republic's population, 79%, is Russian.

The republic is rich in raw materials: gold, coal, ferrous and non-ferrous metals, and marble. Coal and metal processing are the republic's major industries. Molybdenum, wolfram, and aluminum make up the majority of the republic's exports. The republic houses the country's third largest aluminum manufacturer, Sayanskii Aluminum Works (SaAZ) and the largest power plant, the Sayano-Shushenskaya Hydro-Electric Station. However, despite its rich natural resources, the republican economy is under-developed due to a shortage of investment.

Basic Facts

1995 Population (est.): 584,600 (0.39% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 0.47%

Agricultural production as percentage of all Russian production (1994): 0.34%

Average personal income index in July 1995: 86 (Russia as a whole = 100)

Price basket index in July 1995: 96 (Russia = 100)

Average back wages owed per person (September 1995): 90,100 rubles (Russian average = 37,100)

Urban population: 72.6% (Russia overall: 73.0%)

Student population (1993): 97 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 21.49%

Percent of population with higher education (1989 census): 8.0% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 31.5% (Russian average: 29.9%); Agriculture: 14.3% (12.8%); Trade: 8.2% (9.1%); Culture: 11.8% (13.6%); Management: 2.0% (2.3%)

Number of telephones per 100 families (1993): in cities : 23.8 (Russian average: 41.5); in villages: 22.5 (17.2)

According to a 1995 survey by Bank Austria, the krai is ranked 74th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 29.24%/47.18% (first round/second round)

Zyuganov: 35.48%/47.15%

Lebed: 12.53%

Zhirinovskiy: 9.69%

Yavlinskii: 7.25%

Turnout: 65.84%/62.42% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 21.57%

Liberal Democratic Party: 14.34%

Women of Russia: 6.51%

Russia's Democratic Choice: 6.02%

Communists -- Workers' Russia: 5.97%

Congress of Russian Communities: 5.16%

Our Home Is Russia: 4.28%

Yabloko: 4.05%

Party of Workers' Self-Government: 3.73%

In a single-member district: 1 independent

Turnout: 57.57% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 56.58%

"No" -- 43.42%

1993 Parliamentary Elections

Liberal Democratic Party of Russia: 27.45%

Russia's Choice: 15.35%

Communist Party of the Russian Federation: 10.89%

Women of Russia: 10.42%

Agrarian Party of Russia: 6.70%

Party of Russian Unity and Concord: 6.55%

Democratic Party of Russia: 5.56%

Yabloko: 3.85%

In a single-mandate district: 1 Russia's Choice
Turnout: 45.63% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 53.03%
Ryzhkov: 14.36%
Tuleev: 13.89%
Zhirinovskiy: 9.97%
Bakatin: 2.64%
Makashov: 2.02%
Turnout: 72.89% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections]*, Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown]*, Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995]*, Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii [Governors of Russia]*, Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.

Compiled by Anna Paretskaya

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TABLE OF CONTENTS

Breaking News

A survey of key events in Russia's Regions

Patterns of Regional Development

Nizhnii Novgorod: A Flawed Model?

Nizhnii Novgorod Race Results Unpredictable

Nazdratenko Remains in Office

Kemerovo Elections Set

Krasnoyarsk, Evenkiya Sign Agreement

Center-Periphery Relations

Eduard Rossel: Spokesman for the Regions

Ethnic Conflict and Regional Separatism

Attempted Integration in Caucasus Region

Returning Kazaks Provoke Resentment in Altai Republic

Sectoral Analysis

Forestry Industry in Trouble

Business Briefs

A Weekly Summary of Key Deals in the Regions

Economic Issues

Gazprom Reduces Gas Supply to Dagestan

Foreign Political Ties

Chechens Receive Cool Welcome from Baltic States

Polluted Amur River Threatens Far East

Foreign Economic Ties

Production Sharing Law To Go into Effect

American Agricultural Exporters Seek to Expand in Urals

Regions to Meet with California Businesses

Regional Links

St. Petersburg's Hermitage Museum

Russian Forestry Industry

Regional Profile: Altai Republic

Advertisement

ACE - Analysis of Current Events

BREAKING NEWS

19 June

-- **Chechen** President Aslan Maskhadov met with the Russian deputy presidential representative to the republic, Anatolii Chernyshov, to discuss the implementation of bilateral governmental agreements and the situation of the hostages in the republic. Maskhadov declared that many provisions of the agreements signed in November 1996 and May 1997 are not being fulfilled by the Russians, preventing the normalization of the situation in Chechnya and effective actions against terrorists and criminals (*Kommersant-Daily, Nezavisimaya gazeta*, 20 June).

-- **Sakha's** electoral commission overruled a decision by the Yakutsk electoral commission to hold mayoral elections on 13 September. It recommended postponing the voting until December 1997, when the republic will elect a new parliament. The republican electoral commission claims that combining the elections will save 700 million rubles (over \$120,000) (*Segodnya*, 20 June).

23 June

-- First Deputy Prime Minister Boris Nemtsov said that he had no doubt **Nizhnii Novgorod** Mayor Ivan Sklyarov would win the 29 June gubernatorial race. For that reason, Nemtsov, who left the governor's office in March, has not returned to the region to campaign for Sklyarov (NTV, 23 June).

-- Liberal Democratic Party (LDPR) leader Vladimir Zhirinovskiy announced that his party will not support Aman Tuleev, the probable candidate from the Communist Party, in **Kemerovo's** gubernatorial elections later this year. He said that the LDPR made an alliance with the Communists in the Nizhnii Novgorod governor's race because it considered the opposition candidate Gennadii Khodyrev less communist than Mayor Ivan Sklyarov, who won support of the pro-governmental Our Home Is Russia and Grigorii Yavlinskii's Yabloko (NTV, 23 June).

-- Leader of the **Primorskii Krai** Trade Union Federation, Vladimir Chubai, asked First Deputy Prime Minister Anatolii Chubais to take the payment of back wages in the region under his personal supervision. Employees of regional state enterprises are owed 290 billion rubles (over \$50 million) in wages and 330 billion rubles (\$55 million) in aid to children. (*Segodnya*, 24 June).

-- Lev Savenkov, a former deputy to **St. Petersburg** Mayor Anatolii Sobchak was sentenced to five years in a labor camp and the confiscation of his property. Savenkov was in charge of supplying the city with food, but was caught in 1993 illegally exporting 40,000 cans of black caviar. He also gave a businessman 8 grams of osmium-187 powder valued at \$400,000

(*Segodnya*, 24 June).

24 June

-- The Russian Constitutional Court ordered the **Khakasian** parliament to remove the provisions of the republican electoral law that require candidates for the republic's executive and legislative branches to have lived in the republic for seven or five years respectively. The court ruled that such terms violate federal legislation which sets the minimum residency limit for all regional candidates at one year. Last fall, the regional electoral commission tried to prevent Aleksei Lebed from seeking the post of republican executive, but was overruled by the republican Supreme Court. In the meantime, the State Duma has passed a new law on citizens' electoral rights which cancels the minimum residency requirement completely. This new legislation, if signed into law, will force the many regions which have residency limits for candidates to amend their legislation (*Russian Television*, 24 June; *Kommersant-Daily*, 25 June).

-- The State Duma passed a law on preservation of **Lake Baikal**, the deepest fresh-water lake in the world. The law defines legal and economic activities to preserve the lake and creates a standing commission that serves under the supervision of the Russian government and the Foundation for the Preservation of Lake Baikal (*NTV*, 24 June; *Segodnya*, 25 June).

PATTERNS OF REGIONAL DEVELOPMENT

NIZHNI NOVGOROD: A FLAWED MODEL? Much of Boris Nemtsov's rise to prominence is due to his performance as Nizhnii Novgorod governor from 1991 to 1997. During those six years, he implemented a series of reforms which he now intends to reproduce at the national level. However, observers differ over whether Nizhnii Novgorod is a success story or a Potemkin village. Reliable sources are few: Nemtsov's opponents look for failure, his boosters look for signs of success. The latter include the World Bank and its private-sector affiliate the International Finance Corporation, both of which invested heavily in turning Nizhnii into a model reform province.

Two Russian journalists have taken a stab at evaluating the Nizhnii experiment in *Moskovskii Komsomolets* of 4 June. The authors conclude that the reforms have not worked wonders in the province. "In five years Nizhnii suffered all the same ills that afflicted the rest of the country," they argue, including problems with wage and pension arrears, and 29% of the population living below the poverty line. The much vaunted housing reform did not decrease costs, and there are arrears in the payment of housing subsidies (which are claimed by 10% of the population).

Despite their general hostility to Nemtsov, they grudgingly concede that the early reform efforts -- such as privatizing trade, selling trucks to private owners, and auctioning off kolkhoz land -- seem to have had positive effects. They note that the roads are in good condition, the city itself is cleaner than it was, and there are more stores. Nemtsov started an innovative scheme to accept oil deliveries in lieu of pension fund contributions from delinquent oil firms. These barter deliveries now cover two thirds of the region's pension outlays. The author's

description of the attractive pedestrian zone in the city center sounds like an example of what Mexicans call "plazismo" (the construction of attractive downtown plazas by populist mayors in otherwise struggling cities).

Nemtsov's achievements in Nizhnii probably owe more to energetic leadership than innovative policies per se. Nemtsov did not introduce any reorganization of the energy sector at the local level (of the sort he is now trying at national level), and the reforms of agriculture and housing were developed essentially according to World Bank/IFC blueprints. - Peter Rutland

NIZHNII NOVGOROD RACE RESULTS UNPREDICTABLE. At the start of the electoral campaign in Nizhnii Novgorod everybody agreed that two candidates, government-backed Mayor Ivan Sklyarov and Communist Duma Deputy Gennadii Khodyrev were most likely to enter the second round. Now a third candidate, television journalist Nina Zvereva, seems like a real contender as well. Though Sklyarov and Khodyrev are still leading opinion polls, Zvereva's popularity has grown considerably as the campaign reaches its conclusion, according to *Izvestiya* on 24 June.

The newspaper suggests that she may knock off one of the front-runners on 29 June and become the second candidate in the run-off. Her chances have increased because voters have difficulty distinguishing between Sklyarov and Khodyrev. Though backed by opposing political parties, they both worked as Communist Party functionaries and have similar electoral programs. In addition, Zvereva won the support of Raisa Nemtsova, wife of former oblast Governor Boris Nemtsov. Though Nemtsov publicly backs Sklyarov for governor, the voters may regard his wife's support for Zvereva as an indirect endorsement from Nemtsov himself, who is still very popular in the region.

On the other hand, some observers say that a potentially low turnout on election day may hand victory to Khodyrev in the first round. His main constituency -- pensioners who make up third of the oblast electorate -- is known to be the most disciplined, according to *Trud* on 24 June. - Anna Paretskaya in Moscow

NAZDRATENKO REMAINS IN OFFICE. The Primorskii Krai legislature decided on 25 June not to hold early gubernatorial elections, leaving Governor Yevgenii Nazdratenko in office, Russian media reported. First Deputy Prime Minister Boris Nemtsov recently announced his support for the idea of pre-term elections for the krai governor and Vladivostok city mayor and won the blessing of President Boris Yeltsin for this proposal. On 16 June, Nazdratenko sent a letter to the regional дума asking it to look into the matter. However, the дума announced that it could not find a legal basis for early gubernatorial elections which can only be held if the governor retires, is incapable of fulfilling his duties, or is convicted of a crime. None of these is applicable to Nazdratenko, according to the дума ruling.

However, Moscow may still be able to remove Nazdratenko, at least temporarily. As the presidential representative in the krai, Federal Security Service (FSB) General Viktor Kondratov, announced on 25 June, Nazdratenko has violated the presidential decree which orders the governor to co-ordinate the dispersal of federal funds with Kondratov. A week earlier, Nazdratenko distributed a 36 billion ruble (about \$6.3 million) loan from the federal budget without consulting the presidential representative. He sent the money to several regional

organizations, but did not allocate anything to the krai's major cities, Vladivostok and Nakhodka, *Kommersant-Daily* and *Segodnya* reported on 21 June. Nazdratenko and Vladivostok Mayor Viktor Cherepkov are bitter enemies.

The central government has not yet taken any steps to punish Nazdratenko. Meanwhile, Vladivostok teachers have declared that they would start collecting signatures to remove the governor from office if they are not paid overdue wages by 1 July. - Anna Paretskaya in Moscow

KEMEROVO ELECTIONS SET. Kemerovo Governor Mikhail Kislyuk and the oblast's Legislative Assembly have finally decided on an electoral law and set gubernatorial elections for 19 October 1997 in the important coal mining region, *Segodnya* reported on 21 June. On 23 June, Minister for CIS Affairs Aman Tuleev, announced that he would run in the race, Radio Rossii reported. Kislyuk and Tuleev have long been bitter rivals. The oblast is the only one in the Russian Federation where the governor has not faced a popular vote. The delay of gubernatorial voting was caused by the absence of electoral legislation. The previous oblast legislature, whose term expired in March 1996, had been unable to adopt an election law because of its continued inability to gather a quorum. The new assembly was elected in December last year and since then has been battling the governor over the electoral law.

Kislyuk's chances of being reelected are almost zero. The communist opposition has won almost all of the local elections recently held in the oblast. Although he is not officially a member of the party, Tuleev ran third on the Communist Party list in the December 1995 Duma elections and withdrew in favor of Communist Party leader Gennadii Zyuganov in the 1996 presidential elections. His decision to serve in Yeltsin's cabinet has not reduced his popularity. *Izvestiya* argued on 25 June that if Yeltsin had replaced Kislyuk, the new governor would have had a greater chance of winning the elections. During the first five months of 1997, 262 work collectives have gone on strike in the oblast, costing about 600,000 work days. A major all-Kemerovo strike is planned for Friday 11 July and will demand the payment of all salary and pension debts as well as the resignation of President Yeltsin. In concluding his report, *Izvestiya's* correspondent asks, "If the Kremlin hopes to rule Russia beyond Moscow's garden ring road, why does it hand such key regions of the country over to the opposition?"

Kislyuk has been trying to distance himself from the Yeltsin administration in a futile attempt to boost his popularity ratings. He recently blasted the new government identified with First Deputy Prime Minister Anatolii Chubais for trying "to privatize the whole country" (*Kuzbass* [Kemerovo], 10 June). In a recent trip to Moscow he joined 91 other members of the Federation Council in signing a document entitled "To support constitutional order in the country" which denounced any attempt to disband the State Duma, a move advocated by some presidential supporters despite the constitutional provisions limiting when such a step can be taken (Kemerovo Oblast Administration Press Service, 20 June, <http://www.kemerovo.su/>). Kislyuk has also loudly denounced the decision to transfer the Kemerovo railroad to neighboring Novosibirsk, a decision that deprived the oblast budget of a considerable amount of income. - Robert Orttung

KRASNOYARSK, EVENKIYA SIGN AGREEMENT. Krasnodar Krai Governor Valerii

Zubov and Evenk Autonomous Okrug Governor Aleksandr Bokovikov have signed an agreement which declares that Evenkiya is a constituent part of the krai and that its residents will vote in the krai's gubernatorial and legislative elections, *Krasnoyarskii rabochii* reported on 5 June. Zubov said that the agreement ends all "separatist" and "imperialist" ambitions. Now the two units will sign 12 additional agreements regulating specific economic issues. Once the Krasnoyarsk and Evenk legislatures ratify the treaty, the krai can sign a power-sharing agreement with the federal government. Evenkiya's agreement to cooperate with Krasnoyarsk stands in contrast to the Khanty-Mansii and Yamal-Nenets autonomous okrugs who have declared their autonomy from Tyumen Oblast of which they are ostensibly a part. The Constitutional Court is now examining the Tyumen case (*Kommersant-Daily*, 25 June). - Robert Orttung

CENTER-PERIPHERY RELATIONS

EDUARD ROSSEL: SPOKESMAN FOR THE REGIONS. In recent weeks, Sverdlovsk Governor Eduard Rossel has taken numerous stands against the federal authorities. He has spoken out against Moscow's attack on Primorskii Krai Governor Evgenii Nazdratenko, publicly doubted the justice of arresting former Tula Governor Nikolai Sevryugin, and criticized the government for a variety of mistakes and a lack of support for the regions. According to an analysis by Aleksandr Borisov published in *Sankt-Peterburgskie vedomosti* (21 June, <http://www.dux.ru/enpp/newspapers/spbved/>), he is presenting himself as a spokesman for regional interests and could pose serious problems for the Kremlin.

Nazdratenko and Moscow Mayor Yurii Luzhkov are unlikely to fit the role of spokesman for the regions because of the unique circumstances of their positions. Moscow is extremely wealthy compared to the other regions of the country. Few regional executives are likely to want to reproduce the kind of scandals surrounding Nazdratenko. Rossel is in a better position because of his long experience in power and the economic situation in his region is good enough that it attracts the interest of other Ural regions as well as many of the Siberian areas. Additionally, he is from President Yeltsin's home region, and, although the two have fought in the past, he enjoys close ties to the president.

The greatest danger for the federal executive branch is that Rossel's main goal is to force the young reformers in the government to take regional interests into account as they formulate Kremlin policy. To make Moscow listen, he is forming an informal group of regional leaders, businessmen, and intelligentsia. Unlike the Federation Council, which brings regional leaders together to work at the federal level and in some ways is captured by the federal government, Rossel's group draws upon exclusively regional officials.

While the federal government wants to dictate policies to the regional leaders, its hands are often tied because its current high priority policies (such as housing reform) are regional rather than federal issues. If the government tries to regulate the implementation of housing policies by shutting off money, it will inevitably make the situation worse for the population, making itself extremely unpopular in the process. Borisov warns that just as the main threat to the Soviet government started as a collection of informal youth groups, Rossel's informal regional network could force radical changes in federal policy.

The Yeltsin administration is not taking the threat from Rossel quietly, however. Yeltsin's representative in Sverdlovsk Oblast, V. Mashkov, has submitted his resignation, *Uralskii rabochii* (<http://ur.etel.ru>) reported on 19 June. Mashkov has grown close to Rossel since he took the position and now the Kremlin apparently wants someone who will be more critical of Rossel. Yeltsin is using his new representative in Primorskii Krai, the head of the local Federal Security Service, to reign in Nazdratenko. - Robert Orttung

ETHNIC CONFLICT AND REGIONAL SEPARATISM

ATTEMPTED INTEGRATION IN CAUCASUS REGION. A group of parliamentary deputies from Dagestan, Ingushetiya, Georgia, and Azerbaijan gathered on 21 June in the Dagestani capital Makhachkala, *Nezavisimaya gazeta* and *Segodnya* reported on 24 June. They called for instituting a common Caucasian legislative body, analogous to the European parliament, which would promote economic growth, political development, and the cultural revival of the Caucasian peoples. Dagestani republican parliament member and leader of the Avar People's Movement Gadzhi Makhachev initiated the meeting. He will also head a working group on preparations for the Caucasian Parliament's constituent assembly in September this year.

While the leadership of Georgia, Azerbaijan, and Ingushetiya sanctioned the presence of their respective delegations at the meeting, Karachaevo-Cherkesiya and Adygeya refused to send representatives to the assembly. Additionally, the leaders of Kabardino-Balkariya and North Osetiya are skeptical about the idea of a common parliament. Chechnya has yet to make its position clear.

The correspondents from both *Nezavisimaya gazeta* and *Segodnya* doubt that the plan will be realized. First, all countries in the region seek the support of different foreign states, whose interests in the Caucasus do not coincide. Second, several of the potential members of the new parliament have territorial claims against each other that can jeopardize effective cooperation. Moreover, for the parliament to be legitimate, all of the region's ethnic groups will have to be fairly represented. Achieving such a goal will be difficult for the country-participants because of the conflicting territorial claims and a widespread desire to dominate the area.

Meanwhile, the Dagestani newspaper *Molodezh Dagestana* published a draft decree from Chechen President Aslan Maskhadov which seeks to transfer the part of Dagestan which lies between the Terek and Sulak rivers to Chechnya, *Nezavisimaya gazeta* reported on 25 June. Chechnya has traditional claims on the land. While the Chechen leadership neither confirmed nor denied the publication, Dagestani leaders denounced Chechnya's claims. - Anna Paretskaya in Moscow

RETURNING KAZAKS PROVOKE RESENTMENT IN ALTAI REPUBLIC. In the early 1990's about 2,000 ethnic Kazaks from the Altai Republic (which borders on Kazakstan, China, and Mongolia) heeded Kazak President Nursultan Nazarbaev's call to return to Northern Kazakstan. Now about 1,000 of them have returned to their original homes in the village of Mukhor-Tarkhat, *Svobodnyi kurs* (Barnaul) reported on 5 June. Hundreds of residents of the village published a letter in one of the local newspapers complaining to the

republican authorities about the plans to resettle 200 Kazak families in their area. The residents claimed that the Kazaks left of their own free will and took an enormous amount of cattle with them. Now, according to the letter, they are returning with nothing. The residents asked the authorities to stop the process of resettlement. - Robert Orttung

SECTORAL ANALYSIS

FORESTRY INDUSTRY IN TROUBLE. Although the overall production of forest products has dropped more than 50% since the collapse of the Soviet Union, the forestry sector continues to attract considerable foreign interest. While forestry plays a major role in regions throughout Russia, the problems of the industry in Komi and Kareliya are suggestive of the difficulties the industry faces overall. (For information on finding a detailed overview of the Russian Forest industry see Regional Links below.)

The Komi Republic boasts 4.2% of Russia's overall forests, giving it more resources than Sweden, Germany or France. Despite this wealth, however, the region's forestry industry is in serious trouble, *Nezavisimaya gazeta* reported on 24 June. In the past, the republic supplied logs to processing mills in the center and south of Russia. The rapid rise in transport costs have now made this practice unprofitable and the amount of timber shipped has dropped precipitously. Moreover, there are often delays of up to eight months in getting the raw lumber to the mills which means that some of it is spoiled along the way. The one-sided development of Komi's forestry industry, essentially as a raw material supplier, has only exacerbated the problem.

The social consequences of the decline in the forestry industry are extremely painful since the firms often provide the majority of jobs in many of Komi's towns. In many cases, the firms are also responsible for providing social support to the local population. Simply switching responsibility for these issues over to the local governments does not improve the situation since they have few resources. Municipalities are even more reluctant to assume responsibility for much of the loggers' housing because it does not have central heating or running water.

A proposed federal plan to revive Komi's forestry calls for building lumber mills in the region. However, the federal budget will hardly be able to meet the 9.5 trillion rubles (\$1.7 billion) that Komi will need in 1998 alone. The republic has \$50 million that it can invest, and the World Bank is considering a \$57 million loan. Russian banks could provide another \$5 million. The republic is also considering leasing land to foreign companies. However, the absence of the necessary federal legislation makes such concessions difficult. The Duma has yet to pass a tax code, and the forest code does not allow regional leaders to exercise rights over forestry resources. While the federal government has the right to dispose of the resources, it does not have a mechanism in place to do so.

Environmental concerns and conditions on the world market also must be taken into account. Groups such as Greenpeace are working hard to prevent logging in Russia's two old-growth forests. One lies in Komi and the other straddles the Finnish-Russian border in Kareliya (*Moscow Times*, 6 June). The Kareliyan government has loudly protested Greenpeace's actions, claiming that the environmentalists are ruining the republic's economy. Kareliya's leaders have claimed that because of the group's protests, Finnish firms are no longer buying Kareliyan

timber. The republic derives 60% of its budget from logging and more than 25,000 loggers are out of work.

The reality is quite different than painted by the Kareliyan leaders. Finland's ENSO, the largest forestry products company in the world, signed a contract with Kareliya for 800,000 cubic meters of lumber in February. Usually ENSO buys 2 million cubic meters a year, but a drop in the price of forestry products on world markets, not environmental concerns, forced the company to reduce its purchases. ENSO claimed, however, that it was reducing purchases in Kareliya because of environmental concerns to boost its public image, the weekly *Kommersant* (17 June) argued. - Robert Orttung

BUSINESS BRIEFS

-- After a long battle, the **Novosibirsk Chocolate Factory** has finally signed an agreement recognizing that it is part of the **Babaev** holding owned by Moscow-based **Inkombank** (See *IEWS Russian Regional Report*, 5 June). Although the bank owned 51% of the stock, the factory directors did not allow its delegates to attend the 30 May share-holders meeting. The two sides have canceled their court cases against each other and there will be a new shareholders' meeting before 2 July. The new board will have four directors from Babaev and three from the factory. (*Kommersant-Daily*, 18 June)

-- **Pepsi International Bottlers** has opened a \$33 million bottling plant in **Samara**. By next summer, when the plant is working at its full capacity, it will produce as much as 200 million liters of Pepsi, Merinda, and Seven Up a year, making it one of the largest non-alcoholic beverage producers in the country. Over the next five years, Pepsi International Bottlers plans to invest \$500 million in the **Urals, Volga, Siberia**, and the **Far East**. **Coca-Cola** is just about to open its own \$30 million plant in Samara, meaning that there will be intense competition for the loyalty of consumers. The local **Sameko** hopes to supply both plants with aluminum cans. (*Kommersant-Daily*, 19 June)

-- **Coca-Cola** is also about to open a \$55 million plant in **Novosibirsk**. The project is the largest in the region. (*Novaya sibir*, <http://plato.sr.unh.edu/siberia/>, 9 June)

-- South Korea's **Daewoo** has announced that it will invest \$10 million this year in a television factory in **St. Petersburg**. The factory should begin production in January 1998 and produce 200,000 sets during the course of the year. (*Kommersant-Daily*, 20 June)

-- **Kareliya's Segezhabumprom** has signed a deal with the republic's pension fund to restructure its 28.5 billion ruble debt. The deal will help the plant's Swedish owners **AssiDoman** restart production which has been suspended since March (See *IEWS Russian Regional Report*, 30 April 1997). AssiDoman hopes to resolve the remaining issues keeping the plant closed in the first part of July. (*Kommersant-Daily*, 20 June)

-- **Sverdlovsk Oblast** is preparing to issue \$300 million worth of Euronotes with 3-5 year

terms by the end of this year. The money will go for investment projects aimed at processing some of the oblast's 30 billion tons of industrial waste, converting defense enterprises to civilian use, manufacturing medical instruments, and electronics. The notes will be sold in North America, Europe, and Asia. The UK's **West Merchant** bank is organizing the sale. Yeltsin has signed a decree that only allows Moscow, St. Petersburg, and Nizhnii Novgorod to issue eurobonds. (*Finansovye izvestiya*, 19 June)

-- Workers have gone on strike at the Russian-South Korean joint venture **Stal-Kha** in Komsomolsk-na-Amur (**Primorski Krai**) because they have not received their pay since last November. Strikes at joint ventures or foreign-owned companies are rare in Russia because they generally pay their workers. (*Nezavisimaya gazeta*, 20 June)

-- Political and business leaders from Russia's Far East region and the US's western states met 19-21 May in **Kamchatka** under the auspices of the **Gore-Chernomyrdin Commission** to discuss ways of improving economic links between the two regions. The result of the conference was a list of projects for priority investment. (*Tikhookeanskaya zvezda*, 23 May)

-- **The East Siberian Center for Investment Policy** opened 25 July in **Irkutsk**. The center will supply information about the Russian stock market to local businesses and individuals. It is working under the aegis of the Federal Securities Commission. The center is the second of its type in Russia following the opening of a similar one in Moscow. (*Izvestiya*, 25 June)

ECONOMIC ISSUES

GAZPROM REDUCES GAS SUPPLY TO DAGESTAN

by Polina Sanaeva, *Novoe Delo* (Dagestan)

MAKHACHKALA - After trying for months to get Dagestani customers to pay for their natural gas supplies, the local branch of Mezhtregiongaz has decided to use more decisive means: cutting gas supplies to debtors.

Mezhtregiongaz is a new entity in Russia designed to collect in one place the revenue generated from gas sales. The Dagestani branch is the only wholesale supplier of gas in the republic and began its operations in April. Initially, it tried to get enterprises to repay their debts on a case-by-case basis, trying to find various ways of payment and mixing persuasive pleas with threatening warnings. But these efforts had no impact on the local gas distributors, the local energy administrators, or the city managers -- no one offered to pay.

Finally, Moscow began to understand the situation. Mezhtregiongaz and Gazprom announced that they would cut off all gas supplies to the republic's major distributors as of 10 am on 16 June and not restore them until after an agreement on repaying the republic's debt had been adopted.

After negotiations, Gazprom agreed to reduce the supply of gas by only 50%. The city gas distributors were instructed to divide this 50% between the customers who had paid up and

those who were in default. Since it generally pays for its gas, the population was the hardest hit.

Makhachkala's energy generators, the city's heating network, and Dagenergoprom's heating stations were completely cut off. Mezhrefiongaz is ready to fight until victory, the adoption of a plan to repay the debts which now reach to hundreds of billions of rubles. Dagestan has not paid Gazprom a kopeck in the last three years. State organizations owe more than a 100 billion rubles (about \$17 million), industrial enterprises 130 billion rubles (about \$23 million), and the population more than 120 billion rubles (about \$21 million).

The Dagestani branch of Gazprom has long called for the authorities to impose order in the gas sector, but the Dagestani government has been dragging its feet. It only adopted a measure to raise gas rates from 1 February on 10 June! However, it is unlikely that the state will be able to wipe out the debts and collect additional fees retroactively, especially when many taxes remain unpaid.

The Dagestani branch of Gazprom owes 30 plus billion rubles to the federal and republican budgets. Accordingly, the tax police froze its bank account at the beginning of April and confiscated part of its property.

Dagestan's electricity generators and communication workers have also taken a firm approach to Dagestan's Gazprom. Because of the firm's debts to them, they have shut off Gazprom's lights and cut its telephone service. At the same time they have continued to use gas as if were a free resource, like air.

But these bad habits may end soon. In the latest telegram Mezhrefiongaz sent to its Dagestani branch, it warned that since it had not received a plan to pay off the republic's debts, it would cut off gas supplies completely after 1 July. If this happened, Dagestan would have to rely on its own expensive and low-quality gas. The republic's supplies can only meet 30% of its needs and cost three times more than Russian gas.

FOREIGN POLITICAL TIES

CHECHENS RECEIVE COOL WELCOME FROM BALTIC STATES. The recent visit to the Baltic states by a delegation of Chechen parliamentarians did not win diplomatic recognition from Lithuania, Latvia, and Estonia as the Chechens had hoped, *Kommersant-Daily* reported 19 June. The Baltic states were reserved in their actions since they did not want to spoil relations with Russia. Only the speaker of the Lithuanian parliament, Vitautas Landbergis, was willing to meet with them, while the leadership of the Estonian and Latvian legislatures refused. Estonia also refused to give the Chechens visas. The Chechens were angered by the reaction of the Latvian and Estonian governments since they had assumed that the Balts would support their struggle for independence. The Balts, however, want to avoid any provocative actions that might hurt their chances to enter NATO and the European Union. - Robert Orttung

POLLUTED AMUR RIVER THREATENS FAR EAST. The level of phenol, chlorine, and cadmium in the Amur river are unacceptably high according to Vladimir Tolkachev, the head of the Amur Basin Department of Water Management, *Segodnya* reported 24 June. He said any plans to reduce the level of pollution in the river would only be effective if the regions of the

Russian Far East cooperated in cleaning it with China, Mongolia, and Japan, who are also interested in using the river. - Robert Orttung

FOREIGN ECONOMIC TIES

PRODUCTION SHARING LAW TO GO INTO EFFECT. In a surprising surge of reasonableness, the State Duma passed on 24 June a list of approved sites for implementation of the November 1995 production sharing law. Production sharing gives investors a guaranteed share of the output from the project they are building, reducing the riskiness of the investment and offering some protection from punitive taxes. The Duma was hostile to the measure, which it thought would enable rapacious Western corporations to loot Russia's natural resources. More concretely, the measure was also opposed by Russian companies who want to develop these fields for themselves, although in order to do this they will need Western loans and technology.

The news from the Duma is not all good, however. The Duma also passed some amendments to the original bill, creating more favorable conditions for Russian investors than their foreign competitors. Second, the new list allows only seven sites for inclusion in production sharing, down from the government's originally proposed 230 sites. They include five oil and gas fields, each requiring from \$1 to \$5 billion investment, as listed in *Kommersant Daily* on 24 June: Samotlor (Khanty-Mansi Autonomous Okrug), Krasnoleninskoe (Khanty-Mansi), Romashkinskoe (Tatarstan), Prirazlomnoe (in the Barents Sea), and Severosakhalinskoe (Sakhalin). Also included were the Kuranakhsoe gold deposit in Yakutiya and the Yakovlevskoe iron ore deposit in Belgorod oblast. Furthermore, foreign investors will only be allowed direct participation in one or two of these sites.

One reason for the Duma's change of heart was that the government was coming up with new regulations which would enable them to grant special tax status to individual projects, bypassing the stalled production sharing law. Boris Nemtsov was the originator of this idea, about which he said "I encountered even more opposition to signing this order than the famous decree on officials filling out income declarations," according to *Segodnya* of 19 June. The final decree authorizing a special customs status was signed for the Sakhalin-1 project on 6 June. - Peter Rutland

AMERICAN AGRICULTURAL EXPORTERS SEEK TO EXPAND IN URALS. The US Department of Agriculture sponsored a series of seminars in Ekaterinburg 19 June to increase the sales of American food products in the Urals, *Uralskii rabochii* (<http://ur.etel.ru>) reported 20 June. According to a department spokesman, US food producers have been active on the Russian market for three years, but have concentrated their activities in Moscow, St. Petersburg, Khabarovsk, and Vladivostok. Now they intend to expand into Sverdlovsk, Chelyabinsk, Perm, and Kurgan oblasts. Following the development of the Russian food industry, the American exporters have switched from selling prepared food products to less processed ingredients. Among the topics discussed at the seminars were financing the imports and the latest trends affecting in-store advertising. - Robert Orttung

REGIONAL REPRESENTATIVES TO MEET WITH CALIFORNIA

BUSINESSES. Leaders of several Russian regions will make presentations to California companies on 24-26 September in San Francisco, President of the Russian Union of Industrialists and Entrepreneurs and Chairman of the Board of Directors of the Russian-American Trade and Economic Council Arkadii Volskii announced on 24 June. Volskii believes that potential foreign investors lack information about the Russia beyond Moscow and this ignorance explains the trickle of investment into the country. He also noted that while investment from and foreign trade relations with Japan and Germany are constantly growing, ties with American businesses, and particularly those from the West Coast, are disappointing.

Sakha and North Osetiya, Krasnoyarsk Krai, Tyumen, Vladimir, Chita, Astrakhan, Kaliningrad, and Samara oblasts will participate in the presentation. Governors of the latter three have confirmed that they will travel to California. The San Francisco Bay Area World Trade Center (headed by Robert Pastorino), an American co-organizer of the event, has invited several large American firms, such as IBM, Oracle, Chevron, Clorox, the Port of Oakland, and Bank of America to attend. These companies are now looking to expand abroad, Pastorino noted. The meeting is designed to arrange joint venture investments between California companies and Russian regions. Russian regional leaders will present business plans describing important investment projects in their areas and then discuss proposals with American businessmen. - Anna Paretskaya in Moscow

REGIONAL LINKS

-- **ST. PETERSBURG'S HERMITAGE MUSEUM** (<http://www.hermitage.ru/>) The homepage of St. Petersburg's Hermitage museum offers information about the museum's permanent and temporary exhibits, color pictures of the museum buildings, and information on the exhibition commemorating the 500th anniversary of Russia's two-headed eagle symbol. The site already includes over 1,000 illustrations and continues to grow. The project is based on a \$1.6 million grant from IBM.

-- **RUSSIAN FORESTRY INDUSTRY** (<http://www.iep.doc.gov/bisnis/isa/9704for.htm>) Charles A. Backman of Austria's International Institute for Applied Systems Analysis and Yuri Blam of Novosibirsk's Institute of Economics and Industrial Engineering provide an extensive overview of Russian forestry in their "Russian and Siberian Forest Industry - Past, Present, and Future: The Way Ahead." The document was posted in April 1997.

CORRECTION: The report in the Business Briefs sections in the 22 May 1997 issue about Searle and USAID was inaccurate. Searle is providing the major share of the \$32 million investment while USAID is providing \$6 million "to cover the costs of critical technical assistance and training associated with the establishment of pharmaceutical production plants in Russia."

REGIONAL PROFILE: ALTAI REPUBLIC

Prime Minister: Valerii Chaptynov

Valerii Chaptynov was appointed republican prime minister on 30 January 1997. A week earlier, the republican parliament, the El Kurultai, which Chaptynov had headed since February 1994, sacked the republican government, then led by Vladimir Petrov. Officially, the government was fired because it had not tackled the republic's severe economic and social problems. However, political reasons are more likely to be at stake. The republic plans to adopt a new constitution this year which will transform its current parliamentary system into a presidential one. The parliament apparently removed Petrov to decrease his chances in the presidential race, in which Chaptynov is likely to be the main candidate.

Chaptynov began his career in the Komsomol, ultimately rising to the post Komsomol first secretary for the Gorno-Altai Autonomous Oblast (the Soviet-era name for the Altai Republic). In 1978, he graduated from the Communist Party Academy of Social Sciences and became a full-time party functionary. By the time he quit the party in 1991, after it was banned by Russian President Boris Yeltsin, he had become the first secretary of the Gorno-Altai oblast party committee.

Since 1990, Chaptynov was elected chairman of the Altai legislature four times. In August 1991, when he supported the coup attempt, several local deputies tried to remove him from the chairmanship, but they were not supported by the majority of the legislature.

Other Local Leaders

Chairman of the State Council (El Kurultai) -- Vladilen Volkov, elected in January 1997

Brief Overview

Altai Republic, with a territory of 92.6 sq km, is situated in the southwestern part of Siberia within the Altai Mountains. It shares borders with the republics of Tyva and Khakasiya, Kemerovo Oblast, Altai Krai, Kazakhstan, Mongolia, and China. The highest Siberian mountain, Belukha (4,506 meters) is located on the republic's territory. A quarter of the territory is covered with woods, mostly cedar and larch. Flora and fauna are very diverse due to a republic's location at the intersection of the Kazakh steppe, Siberian taiga, and Mongolian semi-deserts. The republic has over 7 thousand lakes, the largest and deepest (230.8 sq km and 325 meters deep), Terletscoe Lake, is bigger than the state of Liechtenstein. Most of the rivers in the republic are not suitable for navigation.

Though the republic is rich in raw materials, such as coal, charcoal, mercury, marble, granite, and semi-precious stones, the extracting and processing industries are underdeveloped. Nevertheless, the republic houses the country's only mercury producing works, Aktash. Agriculture is the dominant industry: 60% of GDP comes from farming which is mostly concentrated in stock-breeding. The republic is one of the least urbanized territories of the Russian Federation which allows it to preserve its natural landscape and environment.

Basic Facts

1995 Population (est.): 200,000 (0.13% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 0.01%

Agricultural production as percentage of all Russian production (1994): 0.18%
Average personal income index in July 1995: 68 (Russia as a whole = 100)
Price basket index in July 1995: 87 (Russia = 100)
Average back wages owed per person (September 1995): 25,700 rubles (Russian average = 37,100)
Urban population: 23.7% (Russia overall: 73.0%)
Student population (1993): 169 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 21.92%
Percent of population with higher education (1989 census): 8.0% (Russia overall: 11.3%)
Percent of population working in (1993): Industry: 10.7% (Russian average: 29.9%); Agriculture: 35.3% (12.8%); Trade: 6.5% (9.1%); Culture: 16.5% (13.6%); Management: 4.4% (2.3%)
Number of telephones per 100 families (1993): in cities : 30.3 (Russian average: 41.5); in villages: 16.7 (17.2)
According to a 1995 survey by Bank Austria, the krai is ranked 57th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Zyuganov: 43.61%/51.68% (first round/second round)
Yeltsin: 28.77%/40.04%
Lebed: 13.03%
Zhirinovskiy: 4.83%
Yavlinskii: 3.46%
Turnout: 74.10%/70.94% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 25.95%
Agrarian Party of Russia: 11.37%
Liberal Democratic Party of Russia: 9.34%
Communists -- Workers' Russia: 7.64%
Women of Russia: 5.63%
Our Home Is Russia: 4.96%
Party of Workers' Self-Government: 3.10%
In a single-member district: 1 Russia's Democratic Choice
Turnout: 75.50% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 54.11% "No" -- 45.89%

1993 Parliamentary Elections

Party of Russian Unity and Concord: 26.55%

Liberal Democratic Party of Russia: 17.04%
Women of Russia: 12.47%
Communist Party of the Russian Federation: 11.02%
Russia's Choice: 9.31%
Agrarian Party of Russia: 8.74%
Democratic Party of Russia: 4.83%
Yabloko: 3.16%
In a single-mandate district: 1 independent
Turnout: 66.67% (Russia overall: 54.34%)

1991 Presidential Elections

Ryzhkov: 32.03%
Tuleev: 24.36%
Yeltsin: 22.39%
Zhirinovskiy: 10.21%
Makashov: 3.53%
Bakatin: 2.20%
Turnout: 81.84% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections]*, Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown]*, Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995]*, Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii [Governors of Russia]*, Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.

Compiled by Anna Paretskaya

ADVERTISEMENTS

ACE

Analysis of Current Events

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TABLE OF CONTENTS

Breaking News

A survey of key events in Russia's Regions

Patterns of Regional Development

Kemerovo Oblast Governor Replaced

Nizhnii Novgorod Race: No Winner, No Surprises

Samara Mayoral Race Goes into Runoff

Krasnodar Governor to Revise Privatization

Corruption Charges against New Tula Governor

Center-Periphery Relations

Mayors Most Trusted Elected Officials

Duma Amends Electoral Law

Social Issues

Vladivostok Criminal Leader Gunned Down

Business Briefs

A Weekly Summary of Key Deals in the Regions

Economic Issues

Ulyanovsk Auto Factory Buys Land Under its Plant

Foreign Economic Ties

Regions Intensify Cooperation with CIS Countries

Joint Ventures Increase Oil Output

Lenzoloto Seeks Outside Investor

Protectionist Feelings Increase in Petersburg
Regional Profile: Republic of Tyva
Advertisement
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BREAKING NEWS

25 June

-- The **Cossack Union Council of Atamans** condemned the Russian Security Council's handling of the situation in **Chechnya** and the North Caucasus. The atamans declared that the Chechen republic no longer heeds Russian Federation law and Chechen militants are terrorizing its population, particularly in the Naurskii and Shelkovskoi districts, where ethnic Russians are concentrated. They also warned the federal authorities that the Kremlin's passivity could force the local people to arm themselves. In this case, the Cossacks announced their intention to intervene and protect the people of the region. (*Kommersant-Daily*, 26 June)

26 June

-- Boris Brevnov, chairman of Unified Energy Systems (EES), the country's major energy supplier, denied rumors that an energy crisis would again strike **Primorskii Krai**. He said that regional power plants have accumulated a reserve of 350,000 tons of coal, five times more than a month ago. However, he admitted that the situation may deteriorate because the amount owed by the local energy networks to EES continues to grow. (*Segodnya*, 27 June)

-- A Russian border ship fired on a Japanese fishing boat, wounding two fishermen near the island of Anuchin (**Sakhalin Oblast**) in the disputed Kuril chain. The incident came less than a week after the Russian and Japanese leaders met in Denver as part of the Group of Eight. (NTV, 26 June)

28 June

-- **Primorskii Krai** Governor Yevgenii Nazdratenko and Vladivostok Mayor Viktor Cherepkov met to discuss the immediate problems of the krai and the city. Remarkably, the two leaders have met two times in the last two weeks after avoiding each other since 1994 (NTV, 29 June).

-- Two Russian police officers were wounded and three others were kidnapped by **Chechen** militants on the Chechen border with **Stavropol Krai**. Chechen security chief Lecha Khultygov claimed the kidnapers were special police loyal to Doku Zavgayev, the former pro-Moscow Chechen president (*Segodnya*, 30 June).

30 June

-- Governors of **Sakhalin Oblast** and **Khabarovsk** and **Primorskii Krai**s, Igor Fakhrutdinov, Viktor Ishaev, and Yevgenii Nazdratenko, signed a joint treaty on economic cooperation until year 2005. Under the agreement, the three regions will together exploit the Sakhalin gas fields and make gas the major fuel for Far Eastern power plants, replacing the current reliance on coal (Russian TV, 30 June; *Rossiiskaya gazeta*, 1 July).

1 July

-- About 300 employees of the Zvezda works in **Primorskii Krai** temporarily blocked the Transsiberian Railroad 35 km north of Vladivostok. They are owed over 60 billion rubles in backwages for the last ten months. The workers, who repair nuclear submarines, also demanded the resignation of the federal government and President Boris Yeltsin. The previous day, Viktor Kondratov, Yeltsin's representative in the krai, unsuccessfully attempted to convince the workers not to block the railroad. At the rally, he announced that he had asked the federal government to earmark 25 billion rubles to pay off part of the debt and send a special commission to study the problems of the regional military industry. (*Kommersant-Daily, Pravda-5*; 2 July)

-- About two hundred scholars and scientists from **Moscow** and **Moscow Oblast** rallied in front of the Russian White House demanding that the state provide sufficient funding for their institutions. They also insisted that the government work out and make public its plans for the upcoming research funding reform. According to one of the trade-union leaders involved, overdue wages owed to scientists total 3.2 trillion rubles (about \$550 million) (*Segodnya*, 2 July).

-- During a meeting with President Boris Yeltsin, First Deputy Prime Minister Boris Nemtsov reported that the financial situation in **Primorskii Krai** had stabilized and is now being monitored by the federal authorities and the presidential representative in the region. (Russian TV, 1 July)

PATTERNS OF REGIONAL DEVELOPMENT

KEMEROVO OBLAST GOVERNOR REPLACED. President Boris Yeltsin dismissed Kemerovo Oblast Governor Mikhail Kislyuk on 1 July and appointed former CIS Affairs Minister Aman Tuleev to the office. Since Kislyuk remained the last regional governor who has not stood for popular election, the president had the legal right to remove him. Other executive leaders of Russia's regions are no longer subject to presidential appointment or dismissal since they all have been popularly elected.

Observers agree that Kislyuk was sacked for his inability to address the region's severe economic problems and repeated criticism of the federal authorities. At the government's latest session, First Deputy Prime Minister Anatolii Chubais charged that Kislyuk's "unprofessionalism" had caused a deterioration in the oblast's economy and social sphere. According to recent calculations, the oblast has the country's highest level of overdue wages and pensions per capita. At the same time, Kislyuk, who was appointed by Yeltsin in August 1991, has lately been criticizing the government's policies and blaming the federal authorities for the dire situation in the region. As part of his anti-government campaign, he participated in the trade-unions' nation-wide rally demanding the payment of wages and pensions on 27 March.

Sergei Samoilov, the head of the Presidential Administration's Territorial Department, said that the decree sacking Kislyuk was prepared some time ago, but that the Kremlin was waiting to implement it until Kislyuk signed the oblast electoral law which set the date for gubernatorial vote, *Segodnya* reported on 2 July. The region's leaders' inability to agree on an electoral law caused the long delay in calling the elections. The previous oblast legislature, whose term expired in March 1996, had been

unable to adopt an election law because of its continued inability to gather a quorum. The new assembly was elected in December last year and since then has been battling Kislyuk over the electoral law. Finally, the two regional branches of power agreed on setting the election for 19 October this year (see *IEWS Russian Regional Report*, 26 June, 1997).

Though Kislyuk had expressed a desire to run for the office, his chances were nearly zero. None of pro-reform parties, including the pro-governmental Our Home Is Russia movement, would agree to endorse him. Tuleev, on the other hand, is still very popular in the oblast despite his decision to join Yeltsin's cabinet last year and is the current front runner. He had been chairman of the regional legislature from 1990 until March 1996 and though he personally did not participate in the latest legislative election, his leftist People's Power bloc won a majority of the seats. He also will have the strong support of Gennadii Zyuganov's Communist Party. Tuleev dropped out of the 1996 presidential race in order to support Zyuganov though he is not formally a member of the party.

Despite Tuleev's Communist ties, the central government seems sure of his loyalty. Samoilov said that the government has long been negotiating with Tuleev about the possibility of Yeltsin appointing him governor and Tuleev affirmed his willingness to cooperate. On the other hand, the government can always endorse another candidate for the gubernatorial election if it sees that Tuleev is unsuccessful in managing the region and starts to lose his popularity. - Anna Paretskaya in Moscow

NIZHNI NOVGOROD RACE: NO WINNER, NO SURPRISES. The Nizhnii Novgorod race to replace former governor Boris Nemtsov, who left in March to become First Deputy Prime Minister, brought no surprises. The 29 June first round did not determine a winner, with Nizhnii Novgorod Mayor Ivan Sklyarov and Communist Duma Deputy Gennadii Khodyrev now heading into a run-off. Sklyarov received 41% of the vote, only three percent more than Khodyrev. The other three candidates, who were all so-called "pro-reform democrats," received about 15% of the vote. Though at 40% the turnout was the lowest since 1991, it exceeded the expectations of observers.

It is difficult to predict at this point the outcome of the second round, which will take place on 13 July. On the one hand, those who voted for the minor candidates are more likely to support Sklyarov than Khodyrev, giving a 15% boost to the mayor, enough for a comfortable majority. Moreover, Khodyrev is unlikely to increase his support base: the opposition usually mobilizes its voters for the first round hoping to avoid a run-off. On the other hand, the turnout for the second round is usually lower than in the first, meaning that Khodyrev will benefit from having a more disciplined electorate. According to opinion polls, Sklyarov's chances of victory would be considerably boosted if ex-governor Nemtsov came to the region to campaign for him, *Kommersant-Daily* reported on 26 June.

However, Nemtsov, who has just traveled to neighboring Mordoviya to meet with Volga area governors, has not decided yet on a possible visit, though he would be the first to suffer if an opposition candidate succeeded him. The Communists have repeatedly declared that the reforms carried out by Nemtsov did not benefit the population. If their candidate is victorious, they promise to audit the oblast budget for the last three years in hopes of finding corruption and wrongdoing. Additionally, a Communist victory in his home region would hardly boost Nemtsov's popularity in the country overall and would likely reduce his chances in the next presidential race, if he decides to contest it. - Anna Paretskaya in Moscow

SAMARA MAYORAL RACE GOES INTO RUNOFF. First Deputy Mayor Anatolii Afanasiev and Deputy Chairman of the Samara Oblast legislature Georgii Limanskii will face each other in the Samara mayoral runoff set for 13 July. Oleg Sysuev vacated the seat when Yeltsin appointed him to the post of Deputy Prime Minister. Afanasiev won 29% of the 29 June vote while Limanskii took 21% with a relatively strong turnout of about 40%, *Kommersant-Daily* reported on 1 July. With neither candidate taking a commanding lead and the other votes spread between 10 additional competitors, the outcome remains unclear.

The initial part of the campaign was one of the most expensive with Afanasiev relying on Moscow image-makers who often work with First Deputy Prime Minister Anatolii Chubais (*Nezavsimaya gazeta*, 1 July). Despite serving about six months at such a high level in the administration, Afanasiev was relatively unknown to the voters at the beginning of the race. Before joining the administration, he led the Samara branch of the Central Bank. According to a local professor quoted by NTV, money from Gazprom paid for the PR campaign that made him into one of the city's most well-known figures. Additionally, Afanasiev was the victim of numerous death threats which became a common topic of discussion in the local media during the campaign and may have won him some sympathy votes.

Members of the old "Third Force," Aleksandr Lebed, Gennadii Yavlinskii, and Svyatoslav Feodorov, have all intervened in the race on the side of Limanskii to prevent the victory of the "Chubaisovtsi." Lebed spent three days in the oblast stumping for Limanskii who is a member of his party's political council. Yavlinskii is expected this week to round up support for Limanskii in the second round.

The Communists divided their support between First Secretary of the Communist Party of the Russian Federation's City Council Mikhail Maslyantsev and the director of a private investigative agency, Oleg Kitter. Maslyantsev won about 9% of the vote, while Kitter took 15%. Assuming that the opposition-minded voters stay home in the second round, the 15% of the electorate that supported Rector of the Samara State Aerospace University Aleksandr Belousov will decide the final outcome.

Sysuev and Belousov quarreled in February 1996 when Sysuev decided to raise apartment rents and Belousov declared such a move did not make sense. Belousov took second place in the mayor elections held last September and, despite their dispute, Sysuev suggested that his team back Belousov, *Samarskoe obozrenie* reported 23 June. However, Sysuev's deputies felt that it would be safer to back someone from inside the administration to succeed the departing mayor and began the campaign to build up Afanasiev's image. - Robert Ortung

KRASNODAR GOVERNOR TO REVISE PRIVATIZATION. Krasnodar Krai Governor Nikolai Kondratenko signed a decree denouncing privatization in the region and ordered that its results be reconsidered, *Izvestiya* reported on 27 June. By April the krai had privatized more than 6,500 regional enterprises, nearly 70% of those earmarked for privatization. According to Kondratenko, privatization resulted in the concentration of "national wealth in the hands of a small group of people, provoked numerous complains from workers' collectives, ... and exacerbated the economic crisis." Many regional enterprises were acquired by Moscow-based or foreign businesses, the governor claimed. Kondratenko ordered the creation of a commission which will search for legal violations in privatization deals and will return illegally privatized property to the krai administration. He also intends

to convince the federal government to transfer its shares of enterprises crucial for the krai's economy to the regional administration's ownership or management. - Anna Paretskaya in Moscow

CORRUPTION CHARGES AGAINST NEW TULA GOVERNOR. The Tula Oblast tax police has fined the collective farm previously headed by current oblast Governor Vasilii Starodubtsev 129 billion rubles (over \$22.4 million). The farm is charged with illegally trading spirits and producing fake vodka, *Izvestiya* and *Segodnya* reported. The farm had false contracts with foreign companies to supply them with 6.5 million liters of alcoholic beverages worth almost \$9 million. However, the products were not exported outside Russia but sold in Tula and neighboring regions. Under Russian legislation, liquor producers must pay an 80% tax if their products are sold within the country, while exporters are freed from paying such charges. Starodubtsev claimed that the case was spurred by the local vodka mafia as a reaction to his attempts to better regulate alcohol manufacturing in the oblast. Starodubtsev was one of the 1991 coupmakers and remains in opposition to the Yeltsin government. The former governor of Tula was recently arrested on corruption charges. - Anna Paretskaya in Moscow

CENTER-PERIPHERY RELATIONS

MAYORS MOST TRUSTED ELECTED OFFICIALS. People trust mayors more than governors and federal officials, according to a recent poll by the Public Opinion Foundation, *Kommersant-Daily* reported on 27 June. Thirty five percent of those polled said that they trusted mayors, while only 31% claimed to trust governors. Regional legislative bodies earned the trust of 18%. Federal bodies received the lowest marks: the government won 11% support and the federal legislature only 10%. For comparison, the Orthodox Church did the best, winning the trust of 54% while 42% say that they trust the army. Thirty two percent have faith in the mass media. - Robert Ortung

DUMA AMENDS ELECTORAL LAW. The State Duma revised the federal law guaranteeing citizens' electoral rights on 24 June. Most of the changes affected regional electoral legislation. First, the new law cancels the minimum residency requirement for candidates for regional executive and legislative offices. The previous version of the law required candidates to reside a minimum of one year in the region where they were seeking elective office. Many regions, however, have ignored the federal law and set their own requirements for minimum residency. Khakasiya's law, for example, demanded that candidates for the republic's executive and legislative branches have lived in the republic for seven and five years respectively. Last fall, the regional electoral commission tried to prevent Aleksei Lebed from seeking the post of republican executive, but was overruled by the republican Supreme Court. The Russian Constitutional Court has just ruled against the Khakassiyian law as well.

In an even more important step, the new draft law sets rules for regional referendums. It prohibits federation subjects from holding referendums to remove elected executive leaders. The law also forbids a referendum on extending a regional legislatures' term or calling early legislative elections. A separate draft prepared by the Central Electoral Commission and backed by the presidential administration had no restrictions on regional referendums. However, a group of deputies, headed by Yabloko faction member Viktor Sheinis, proposed limiting the kinds of questions which can be put to referendum. Sheinis believes that the Federation Council, which is composed of regional executive and

legislative leaders, will certainly approve the provision, while President Boris Yeltsin is likely to veto it. However, Sheinis is sure that both houses of the parliament would easily override the presidential veto, *Segodnya* reported on 1 July. - Anna Paretskaya in Moscow

SOCIAL ISSUES

VLADIVOSTOK CRIMINAL LEADER GUNNED DOWN. The Vladivostok "avtoritet" Anatolii Kovalev was assassinated 29 June as he left the Royal Park night club in the city, *Kommersant-Daily* reported. Observers believe that the murder marks the beginning of a battle between local gangs and rivals from Moscow who are trying to move into the area. Kovalev owned a chain of restaurants, cafes, and night clubs in Vladivostok and has mainly focused on legitimate business in recent years. He regularly visits local night clubs, spending \$6,000-8,000 for an evening's entertainment. - Robert Orttung

BUSINESS BRIEFS

-- The Ministry of Internal Affairs questioned **Krasnoyarsk Aluminum Factory** General Director Yurii Kolpakov for two hours but has yet to file charges. Kolpakov confirmed that he had signed a contract for delivery of raw materials from **Leo Trust Company** for which the factory paid \$20 million but never received delivery of the goods. The money is reported to be deposited in several American banks. (*Kommersant-Daily*, 26 June)

-- The **World Bank** and **European Bank for Reconstruction and Development** are prepared to offer a \$400 million loan to help finish building the **St. Petersburg** dam. The loan will be offered at 1% annual interest over a term of 15 years. Completion of the project should cost \$535 million. (*Finansovye izvestiya*, 26 June)

-- Sweden's **Volvo** has become the official car of **Moscow's** 850th anniversary celebration. The company will provide the city the equivalent of \$1.11 million, 70% in the form of 13 automobiles and 30% in money. The deal comes on the heels of First Prime Minister Boris Nemtsov's campaign to get public officials "out of Volvos and into Volgas." (*Segodnya*, 27 June)

-- The US hotel chain **Marriott International** will enter the **Moscow** market in late August when it opens the Grand Hotel on Tverskaya ulitsa. The company plans to demolish the blocky gray Intourist Hotel, also on Tverskaya near the Kremlin, in early 1998 so that it can build a \$125 million - \$135 million five-star hotel similar to the Grand. (*Moscow Times*, 27 June)

-- **Opel**, the German division of the American General Motors is now selling its Omega, Vectra, Astra, and Corsa models in **Samara**, through the local dealer Gembl. Samara Oblast is the home of Russia's largest car manufacturer, AvtoVAZ. (*Samarskoe obozrenie*, 23 June)

-- **British Petroleum** has signed a contract to open 10 gas stations in Moscow at the cost of \$3 million each. It opened its first station on Yaroslavl shosse last September, drawing sales between \$10,000

and \$30,000 a day. The company believes it could eventually open 40-50 gas stations in the city. Moscow already has 400 gas stations. (*Segodnya*, 28 June)

ECONOMIC ISSUES

ULYANOVSK AUTO FACTORY BUYS LAND UNDER ITS PLANT. The Ulyanovsk Auto Factory bought the 320 hectares it occupies for 29 billion rubles (\$5 million overall or 91.5 million rubles per hectare), *Kommersant-Daily* reported on 28 June. The price was relatively cheap in today's terms because the plant first applied for approval of the purchase in June 1996 and paid in the prices current then. It took the authorities a year to approve the documents for the deal, the largest ever in the oblast. Ulyanovsk has one of the most conservative leaderships in all of the Russian regions. An additional complication was that the land contains some 17th century defense fortifications from the era of Bogdan Khitrovo, the founder of Simbirsk (the old name of Ulyanovsk).

Seventy percent of the money will go to Ulyanovsk, 7% to the oblast budget, 10% to the federal budget, and the rest to municipal agencies which prepared all the documents. Five other firms have applied to buy their land as well and will be able to pay in 1996 prices. Others will have to pay current prices which are about 500 million rubles per hectare. - Robert Orttung

FOREIGN ECONOMIC TIES

REGIONS INTENSIFY COOPERATION WITH CIS COUNTRIES. Last week, several Russian regions signed co-operation treaties with the countries of the Commonwealth of Independent States (CIS). Belarus President Alyaksandr Lukashenka agreed with Krasnodar Krai Governor Nikolai Kondratenko that Belarus would provide Krasnodar with tractors and combines worth 40 billion rubles (about \$7 million), while Krasnodar will supply Belarus with wheat and grain, *Segodnya* reported on 28 July. Later, Sakha President Mikhail Nikolaev signed an agreement with Lukashenka which is supposed to increase the supply of Sakha diamonds to the Belorussian diamond processing plant Kristall. In return, Sakha will receive trucks and tractors produced in Belarus, according to Radio Rossii on 1 July.

In the meantime, the Chelyabinsk Oblast administration and the government of Turkmenistan signed a \$5 million contract, under which Chelyabinsk will receive Turkmen cotton and textile products in exchange for cars and tractors. The agreement is also aimed at stimulating mutual trade and the creation of joint ventures, *Finansovaya gazeta* reported on 26 June. Another treaty on economic, commercial, and cultural cooperation for 1997-2000 was signed by Moscow Mayor Yurii Luzhkov and Boris Silaev, Mayor of Bishkek, Kyrgyzstan, according to Radio Rossii on 28 June. Bucking these trends, however, three Krasnoyarsk aluminum factories are refusing to work with a Ukrainian partner because they do not like the terms offered, *Kommersant-Daily* reported on 27 June. - Anna Paretskaya in Moscow

JOINT VENTURES INCREASE OIL OUTPUT. Joint ventures in the energy industry first appeared eight years ago. Currently there are 40 joint ventures drilling for oil in Russia, according to a report in *Segodnya* 27 June. In 1996 they produced 22 million tons of oil, 7.7% of the overall amount of oil produced in Russia. Twelve million tons were exported, making up 12.5% of Russia's overall

exports. Total investment in the joint ventures has reached \$1.5 billion, or about one quarter of all direct foreign investment in Russia. Joint ventures are the only form of foreign participation in Russia oil recovery. Overall Russian oil output has been falling since the collapse of the Soviet Union.

Many joint ventures are concentrated in the Timano-Pechorskii region in the Komi Republic and the center of Russian oil production is expected to shift from western Siberia to Timano-Pechorsk in the near future. Joint ventures have generally gained licenses to work only the most difficult fields, as is the case with the Russian-British venture KomiArktikOil and the Russian-Swiss Nobel Oil. The difficulty of extracting the oil naturally makes it more expensive. The companies also have to face constantly rising taxes and the reduction of benefits offered to joint ventures. In the case of the Komi Republic at least, the government has not lived up to its promise to leave the benefits in place until the joint ventures recoup their investment.

The joint ventures have allies like Usinsk Mayor Anatolii Ermilov. The city receives 65-70% of its tax base from joint ventures and has lobbied the federal government to pass stable laws to regulate the firms.

The joint ventures are also in constant battle with their Russian partners, in these cases, the KomiTEK oil company. The oil produced by Nobel Oil must flow through KomiTEK's pipes. Nobel claims that KomiTEK is skimming off 10,000 tons of oil a month. Unless the situation changes, the foreign investors are likely to pull out of the republic, *Segodnya* warned. - Robert Orttung

LENZOLOTO SEEKS OUTSIDE INVESTOR. Despite the fact that Lenzoloto owns the rights to mine the Sukhoi Log field in Irkutsk Oblast, thought to hold 1,036 tons of gold, the company is in trouble. To start working the field will require \$600 million and to develop the project successfully will cost about \$4 billion, according to *Finansovye izvestiya* on 1 July. Australia's Star Mining owns 4.75% of Lenzoloto's stock, but it does not have the resources to carry out the project. The Russian government owns more than 70% of Lenzoloto and is considering selling a major share to a partner with the cash to make the project viable. Canada's Barrick Gold Corporation (<http://www.barrick.com/>) offered to invest \$1.5 billion earlier this year. The firm would pay the Russian government up to \$11 billion in money realized from the project. - Robert Orttung

PROTECTIONIST FEELINGS INCREASE IN PETERSBURG. A meeting of St. Petersburg's largest food producers has developed a plan to protect the city's major factories, *Sankt-peterburgskie vedomosti* (<http://www.dux.ru/enpp/newspapers/spbved/>) reported 27 June. The directors have suggested raising the rent for stores where the share of imported goods is larger than domestic products. St. Petersburg producers of salami, and meat and dairy products have seen their sales rise in recent months, but believe they could do even better if more limits are placed on western companies. The directors believe that their "Made in Petersburg" movement, founded last year, has played a major positive role. Producers in Novgorod, Murmansk, and Pskov have expressed interest in joining similar organizations. - Robert Orttung

REGIONAL PROFILE: REPUBLIC OF TYVA

President: Sherig-ool Oorzhak

In March 1997, Sherig-ool Oorzhak was reelected for a second term as republican president. He swept over 70% of the vote in the first round, while the closest of the other six contestants received only 10% of the vote. Oorzhak ran under the banner of the pro-governmental Our Home Is Russia movement and during his first term carried out the privatization of small companies and backed the transformation of state collective farms into small, private farms. Nevertheless, he is often described as a "leftist" since 75% of the regional budget goes for social programs. During both races, Oorzhak won the support of the rural areas of the republic and the ethnic Russian population, which makes up about a third of the constituency.

Before being elected republican president for the first time in March 1992, Oorzhak had 20 years of experience in agricultural management and party work. He was elected to the Russian Federation Congress of People's Deputies in 1990 and to the Federation Council in 1993. He was also a member of Tyvan republican parliament and served as the head of the republican government.

Other Local Leaders

Chairman of the Supreme Khural -- Kaadyr-ool Bicheldei, elected in January 1994.

Brief Overview

The Republic of Tyva is located in the middle of Asia, in the southern part of Eastern Siberia. Most of its land lies in the basin of the Upper Yenisei River. It shares borders with Krasnoyarsk and Altai krais, Irkutsk Oblast, the republics of Khakasiya and Buryatiya, and Mongolia. The ethnic Tyvans make up a majority of the republican population (64%), while the Russians are the second largest ethnic group in the republic (32%). Until the 20th century, Tyva used to be a protectorate of neighboring states, and the first Tyvan nation-state, the People's Republic of Tannu-Tuva, was created in 1921. In 1944, it merged with the Soviet Union and became an autonomous oblast within the Russian Federation. By the beginning of the 1950s, the majority of the Tyvans' cattle-breeding homesteads were collectivized, a step that destroyed the people's traditional nomadic life-style.

The republic is rich in mineral resources, particularly coal, and rare and non-ferrous metals. Most of the population and industry is concentrated in the central area of the republic, which produces about 70% of the region's GDP. Because of its underdeveloped industry, Tyva has largely preserved a clean environment. The republic's numerous mineral water sources, salt lakes, and therapeutic mud baths are attractive tourist destinations.

Basic Facts

1995 Population (est.): 308,000 (0.21% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 0.02%

Agricultural production as percentage of all Russian production (1994): 0.21%

Average personal income index in July 1995: 61 (Russia as a whole = 100)

Price basket index in July 1995: 108 (Russia = 100)

Average back wages owed per person (September 1995): 67,400 rubles (Russian average = 37,100)

Urban population: 48.1% (Russia overall: 73.0%)

Student population (1993): 92 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 16.81%

Percent of population with higher education (1989 census): 7.9% (Russia overall: 11.3%)
Percent of population working in (1993): Industry: 11.3% (Russian average: 29.9%); Agriculture: 25.0% (12.8%); Trade: 8.3% (9.1%); Culture: 20.9% (13.6%); Management: 3.9% (2.3%)
Number of telephones per 100 families (1993): in cities : 35.6 (Russian average: 41.5); in villages: 10.3 (17.2)
According to a 1995 survey by Bank Austria, the krai is ranked 87th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 59.93%/53.07% (first round/second round)
Zyuganov: 21.17%/32.11%
Lebed: 4.54%
Yavlinskii: 4.22%
Zhirinovskiy: 3.02%
Turnout: 68.40%/67.50% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Our Home Is Russia: 28.08%
Block of Ivan Rybkin: 12.06%
Communist Party of the Russian Federation: 11.45%
Agrarian Party of Russia: 8.67%
Communists -- Workers' Russia: 5.57%
Liberal Democratic Party of Russia: 5.44%
Women of Russia: 3.24%
In a single-member district: 1 Our Home Is Russia
Turnout: 65.66% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 29.77% "No" -- 70.23%

1993 Parliamentary Elections

Party of Russian Unity and Concord: 48.38%
Liberal Democratic Party of Russia: 9.73%
Women of Russia: 9.00%
Communist Party of the Russian Federation: 8.40%
Russia's Choice: 6.15%
Agrarian Party of Russia: 5.56%
Democratic Party of Russia: 2.92%
Yabloko: 2.11%
In a single-mandate district: 1 independent
Turnout: 58.39% (Russia overall: 54.34%)

1991 Presidential Elections

Ryzhkov: 62.14%
Yeltsin: 15.25%
Tuleev: 10.08%
Zhirinovskiy: 5.48%
Bakatin: 1.51%
Makashov: 1.31%
Turnout: 73.55% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections]*, Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown]*, Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995]*, Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii [Governors of Russia]*, Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.
Compiled by Anna Paretskaya

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TABLE OF CONTENTS

Breaking News

A survey of key events in Russia's Regions

Special Report from the Field

St. Petersburg Wary of Moscow...

...And Looks to its own Reform Path

Center-Periphery Relations

FSB Keeps an Eye on the Regions

Governors Defend their Interests in Nazdratenko Battle

Smirnyagin: President to Strengthen Regional Representatives

Governors Attack Local Government

Yeltsin Signs Power-Sharing Agreements with 5 Regions

Patterns of Regional Development

Nizhnii Novgorod: President Backs Sklyarov; Communists Claim Fraud

Kemerovo Miners to Strike Despite Sacking of Governor

Moscow Residence Permits Again Declared Illegal

Business Briefs

A Weekly Summary of Key Deals in the Regions

Economic Issues

Protectionist Measures Help Foreign-Backed Domestic TV Makers

Ingushetiya Loses Free Zone Status

Kia Having Difficulties in Kaliningrad

Foreign Economic Ties

Novosibirsk Seeks Closer Ties with China

Regional Profile: Republic of Bashkortostan

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ACE - Analysis of Current Events

BREAKING NEWS

1 July

-- Employees of the Magadan Oblast television and radio broadcasting center went on an indefinite strike ending the transmission of Russian Public TV (ORT) and Russian Television (RTR) in the area with the exception of the news programs Vremya and Vesti. The center employees have not been paid for more than six months. Governor Valentin Tsvetkov claims that the federal government is responsible for the overdue wages since the center is under federal jurisdiction. (Pravda-5, 8 July)

-- Sverdlovsk Governor Eduard Rossel's National Economic Council denounced the government's version of the tax code as "dangerous," alleging that it would cost each republic and region 10-15% of its income. The Council is an offshot of the economic forums Rossel held in Yekaterinburg in May 1996 and 1997. The federal government has paid little attention to either the forums or the council (See IEWS Russian Regional Report, 29 May 1997). (Nezavisimaya gazeta, 2 July)

2 July

-- Vladimir Platonov and Nikolai Litvinov, chairmen of the Moscow City and Primorskii Krai legislatures, signed an agreement on co-operation between the parliaments of the two regions. Deputies from the Primorskii Krai Duma praised the quality of laws passed by their Moscow counterparts and announced that they would use Moscow legislation as an example for their own work. (Segodnya, 3 July)

-- A group of ecologists from Krasnodar, Moscow, Sochi, Maikop and Novorossiisk continued to protest the construction of an oil pipeline planned to connect Kazakstan's Tengiz field with a terminal on the Black Sea near Novorossiisk. On 30 June, the protesters carried a symbolic coffin of the Black Sea along the streets of Krasnodar while on 2 July they collected signatures against the project in Novorossiisk. Novorossiisk residents fear the pipeline project will pollute the sea. (Radio Rossii, 3 July) Vladimir Stanev, general director of the Caspian Pipeline Consortium, hopes to have approval to begin construction from the regional governments whose territory the pipeline will cross (Astrakhan, Kalmykiya, Stavropol, and Krasnodar) by the end of the year. (Pipeline News, #65)

3 July

-- President Boris Yeltsin invited President of Chuvashiya Nikolai Fedorov to join the federal government as a deputy prime minister. Fedorov, however, announced that he intends to serve as president until his term ends in the beginning of 1998. Fedorov was the federal Justice Minister from 1990 to 1993. (Kommersant-Daily, 4 July)

-- Employees of the Smolensk Nuclear Power Plant in Desnogorsk started a protest march, hoping to cover the 250 km from Desnogorsk to Moscow in ten days. They are demanding the

payment of the more than 250 billion rubles (\$43 million) in wage arrears owed to workers at the country's nine nuclear power plants. Workers from other power plants are supporting the protesters with money and plan to join them in Moscow to rally in front of the government building later this month. (Nezavisimaya gazeta, 4 July)

4 July

-- About one hundred participants of a protest rally in the North Osetian capital of Vladikavkaz demanded the resignation of republican President Akhsarbek Galazov and Prime Minister Yurii Begarov. The protesters denounced the leaders for conducting policies that went against the popular interest. A parliamentary spokesman announced that the demand will be considered by the next session of the North Osetian legislature. (Radio Rossii, 4 July)

-- Sergei Shakhrai, chairman of commission on power-sharing between Moscow and the regions, announced that a treaty defining the separation of power between Chechnya and the Russian Federation is ready for signing. The treaty with Chechnya is similar to the one that the federal government signed with Tatarstan in February 1994. (Kommersant-Daily, 5 July)

-- Several prominent scientists and public figures sent an open letter to President Boris Yeltsin demanding that he take steps to prevent the collapse of the Russian north's industry and social infrastructure. The letter claims that industrial activity has become nearly impossible in the region and notes that many highly qualified specialists have left the area. The signatories suggested that the Security Council look into the issue and demanded tight oversight of funding to the northern territories. (Segodnya, 5 July)

6 July

-- The Chechen electoral commission announced that the fourth round of parliamentary elections will take place on 19 July to fill the 16 seats that remain vacant. The second round of mayoral elections in Grozny and other local elections will be held the same day. (Radio Rossii, 6 July)

7 July

-- The Federation Council decided to take over publication of Rossiiskaya Federatsiya magazine and proposed that the State Duma join the project. A month ago, the Russian government, the former publisher of the magazine, closed it, citing budget cuts to state enterprises. Editor Yurii Khrenov, however, claimed the closure was caused by the magazine's repeated criticism of the federal government. (Segodnya, 8 July)

-- Sverdlovsk Oblast's energy producers have come to a standstill because they cannot pay for fuel. Gazprom has cut gas supplies by 50%. Railroad workers have not brought coal from Kazakstan for a month. Sverdlovenergo owes 364 billion rubles to the railroad workers, 1.5

trillion rubles to Uraltransgaz and Tyumentransgaz, and 370 billion rubles to the recently created Mezhhregiongaz. (Uralskii rabochii, <http://ur.etel.ru/>, 7 July)

8 July

-- Grozny Mayor Lecha Dudaev and Kyiv Mayor Aleksandr Omelchenko signed a co-operation agreement between the two cities and called for stronger mutual ties. Dudaev also met with Ukrainian businessmen to discuss economic and trade co-operation. He announced that those businessmen who now provide aid for Chechnya will later be granted benefits in oil extraction projects in the republic. (Kommersant-Daily, 9 July)

-- Eleven Russian policemen from Moscow and St. Petersburg were murdered and another four wounded in a terrorist attack in the Khasavyurt district of Dagestan. The policemen were sent to the republic to strengthen the border with Chechnya. The men died after a remote-controlled bomb exploded as a truck with the policemen passed by. Another explosive which failed to detonate was found nearby. Following the terrorist attack, the Dagestani Security Council Secretary declared that another 2,000 policemen are needed to guard the border with Chechnya. (Segodnya, Kommersant-Daily, NTV; 9 July)

SPECIAL REPORT FROM THE FIELD

ST. PETERSBURG WARY OF MOSCOW...

On 26-27 June a unique gathering took place in the building of the presidential representative in St. Petersburg. Scholars and journalists met with figures from the city's political and economic elites to discuss the oldest political question: who governs? Several representatives of the local elite were remarkably frank in detailing the path to power which individuals had traversed from the old party/Komsomol institutions to the new commercial structures.

Several broad areas of consensus emerged from the discussions. First, the idea of a fundamental division between conservative and progressive elites is misleading, and not useful in understanding the distribution of power. Moreover, it was probably never relevant at any point in the transition process. Alliances and rivalries between individuals and groups in the local elite cut across the arbitrary ideological division of "communists" and "democrats."

Second, local politicians and businessmen seem to agree on the importance of stability, and the avoidance of extreme and potentially de-stabilizing actions. Local elites have learned how to survive in the current situation and are searching for gradual rather than radical solutions to enduring problems (which are admittedly severe). There was a feeling that the changes of the past decade were more than sufficient, and the time has come for consolidation. There was disdain for those wishing to disrupt the status quo at both ends of the political spectrum - the communists and the market radicals. Several speakers underlined the need to find a unifying theme or goal - a new "Russian idea" - in order to fill the ideological vacuum and provide a sense of purpose and direction to society at large.

A third point of consensus was wariness in dealings with Moscow. There was strong concern that the federal government is colluding with its favored Moscow-based commercial banks to pursue financial policies which will see the extension of those banks' control over the economic resources of St. Petersburg. This theme emerged several years ago, and shows little sign of diminishing despite the achievement of macroeconomic stabilization, the ongoing consolidation of the banking system, and efforts to make privatization more transparent. - Peter Rutland in St. Petersburg

...AND LOOKS TO ITS OWN REFORM PATH

On 7 July experts from the Leontiev Center, attached to the Mayor's Office, presented their draft strategic plan for the development of St. Petersburg. In an interview on 3 July Nina Oding, one of the authors of the plan, explained her analysis of the current status of reforms in Russia's second city.

She stressed the importance of institution building and the introduction of fair and reliable procedures, a process that she argued has been spearheaded at the national level by the State Property Committee. At the local level, the main achievement has been the introduction of a system for registering property holding, which now covers about 25% of housing and most commercial property in St. Petersburg. Firms were consequently encouraged to buy up the land upon which they are located (based on prices fixed by locally-set norms), and 1,500 local companies have now done so. Some of them have sold or leased unwanted lots (for example, those with multiple sites) while others have purchased the land mainly in order to make themselves look more financially secure to possible investors. Work is also proceeding on local legislation to allow mortgage lending (with property used as security); as yet there are no such laws at national level. Surveys of local businesses indicate that the main problem that they face is still bureaucratic red-tape. Opinions are divided over whether it is a good idea to try to speed up the process (and perhaps cut down on bribes), by introducing a two-tier system, with fast-track clearance of paperwork (from building permits to company registration) for those willing to pay higher fees.

Dr. Oding did not see the lack of federal legislation on these issues as an important barrier to local initiatives. The very weakness of federal laws - the omissions in the Civil Code, for example - leaves local authorities plenty of room for maneuver. And successful local laws can then be used as a basis for future federal legislation.

She thought that most members of the business elite are behind this process of legal consolidation, and saw no sign of a conservative lobby anxious to return to a Soviet-style economic system. However, there is still a division between the "profit seekers" who are confident of making money in a competitive market, and the "rent seekers" who believe that their firms can only survive if rivals are kept out and a forced demand is created for their products. The latter group are constantly seeking exemptions - from taxes, from rent - and trying to erect barriers to entry. (Recent proposals range from tying company rents to the proportion of domestic manufactures in final output, to tougher quality controls on imports, to charging a tax on the use of foreign words in company titles.) The battle over rent-seeking is

fiercest at the regional level because access to local politicians and bureaucrats is easier than at national level.

In general, the city's economy is still struggling to make the transition from its industrial past, heavily dependent on defense plants, to a future which will hinge on its role as a transport and communications hub for the Russian hinterland. To date, the economic downturn has only been reversed in a handful of areas, such as energy and food processing. While the food market was flooded with imports after 1990, consumers are now showing a preference for local products, such as Samson sausages and Baltika beer, which have improved quality and marketing in response to the foreign competition. The development of the Baltika brewery, with Swedish and Norwegian investment, has been particularly impressive. However, the success of Baltika is still very much the exception, and not the rule. - Peter Rutland in St. Petersburg

CENTER-PERIPHERY RELATIONS

FSB KEEPS AN EYE ON THE REGIONS. Federal Security Service (FSB) Director Nikolai Kovalev explained the current operations of the 45,000 officers of the KGB's successor organization in an interview with Moskovskii komsomolets on 4 July. He said their main tasks are catching foreign spies and battling terrorism and corruption. He cited the recent arrest of Tula governor Nikolai Sevryugin as the most vivid example of their fight against corruption. Sevryugin was caught while receiving a \$100,000 bribe, his pay-off for diverting to a bank a 90 billion ruble (\$15 million) transfer payment from federal coffers which was intended for the regional budget.

Kovalev noted that in Kalymykiya there is an ongoing conflict between President Kirsan Ilyumzhinov and the FSB regional director. Kovalev bluntly stated that the FSB is the only federal structure operating in the republic which is still taking its orders from Moscow. He explained that in many regions "financial problems make preserving this independence increasingly difficult. Living accommodations, electricity, etc. are in the hands of the local elites. Sometimes we have to request something from them." He noted with pride that Yeltsin appointed the FSB's regional director in Primorskii krai as his presidential representative and charged him with responsibility for the distribution of federal funds in place of governor Yevgenii Nazdratenko, but he did not think that this scenario will necessarily be repeated in other regions. - Peter Rutland

GOVERNORS DEFEND THEIR INTERESTS IN NAZDRATENKO'S BATTLE WITH MOSCOW. President Yeltsin's decision to transfer most of Primorskii Krai Governor Yevgenii Nazdratenko's powers to the local presidential representative, Aleksandr Kondratov, who is simultaneously the head of the local branch of the Federal Security Service (FSB), has led the other governors to band together to protect their corporate interests. Sverdlovsk Governor Eduard Rossel was among the first to speak out. However, at the Federation Council's 3 July session, even more reserved governors like Samara's Konstantin Titov said they would vote not to exclude Nazdratenko from the Federation Council if Yeltsin tried to fire him (Segodnya, 4 July). The governors were careful to separate their concern over Yeltsin's attacks on federalism from supporting Nazdratenko personally. As the Vladivostok newspaper Zolotoi rog

(http://vladivostok.com/Golden_Horn/index.html) pointed out on 8 July, none of the other governors backed Nazdratenko beyond the possible implications for their own power.

Moscow Mayor Yurii Luzhkov raised the emotional level of the debate when he suggested that the upper house send the president a letter demanding that he rescind the extraordinary powers he had given Kondratov and restore them to Nazdratenko. Luzhkov accused the president of violating his own decrees, referring to the decree establishing the presidential representatives which forbids them from working in other state jobs. The next day, the Federation Council approved a letter to the president condemning his actions as reducing the powers of the regions. However, the upper house softened the tone of its letter by proposing the adoption of a law defining when the president, with the support of the Federation Council, could "react to the violation of civil rights in the regions." (Kommersant-Daily, 5 July). In a further sign of the other regional leaders' lukewarm support for Nazdratenko, President of Chuvashiya Nikolai Fedorov stressed that if Nazdratenko had violated the law, the case should be brought before the courts.

During his meeting with eleven governors on 4 July, Yeltsin said that his nomination of Kondratov as presidential representative with extraordinary powers was an extreme move driven by the desperate conditions in Primorskii Krai and that it would not lead to a general strengthening of the power of his representatives, according to Astrakhan Governor Anatolii Guzhvin (Segodnya, 5 July). - Robert Ortung

SMIRNYAGIN: PRESIDENT TO STRENGTHEN REGIONAL REPRESENTATIVES.

What Yeltsin told the governors, however, did not conform to what his advisors were saying. Leonid Smirnyagin, a presidential advisor, announced that a decree strengthening the powers of presidential representatives in the regions is almost ready for signing by the president. He said that the decree would order the creation of regional boards that brought together the heads of all federal agencies in the regions under the chairmanship of the presidential representatives. The presidential administration began preparing the decree following the Fall 1996 gubernatorial elections. Now that the governors are elected rather than directly appointed by the president, the Kremlin is looking for ways to retain control over them. Observers assert that the presidential administration is waiting for the results of the Nizhnii Novgorod gubernatorial election to appoint a presidential representative to the region. The amount of power the representative has will depend on whether an opposition candidate wins the race (Segodnya, 9 July; Itogi, 8 July). - Anna Paretskaya in Moscow

GOVERNORS ATTACK LOCAL GOVERNMENT. As Russia's governors try to fend off federal encroachments on their power, they likewise refuse to share power with the mayors subordinate to them. As it finished its spring session at the beginning of July, the Federation Council voted down all the bills concerning local government. Although many of the governors support the idea of local government in principle, when they face a vote on the issue, they tend to protect their own power (Segodnya, 5 July).

Recent developments in St. Petersburg confirm this point. Governor Aleksandr Yakovlev succeeded in pushing his plan to divide the city into 100 different units through the St. Petersburg legislature on 18 June. A minority of deputies had sought to break the city into 20

larger units (Chas pik, 2 July). Thus, in the fall, the city will elect 1,000 neighborhood representatives rather than the proposed 400. Yakovlev is satisfied with the outcome because the unwieldy and essentially powerless local councils will face considerable difficulty in blocking his initiatives.

Yakovlev's opponents in the Assembly charge that Yakovlev's plan will give the city an extremely expensive form of local government that has very little power in practice. Additionally, they claim that the neighborhood councils will have even less budgetary control of the city's finances than they have at present. - Robert Orttung

YELTSIN SIGNS POWER-SHARING AGREEMENTS WITH 5 REGIONS. President Boris Yeltsin signed power sharing agreements with Bryansk, Vologda, Magadan, Saratov, and Chelyabinsk oblasts on 4 July, bringing the total number of such treaties signed up to 31, Segodnya reported on 5 July. Sergei Shakhrai, who heads the presidential commission on power-sharing between the center and regions, said that the president plans to sign treaties with all 89 republics and regions and that an additional 24 are now being prepared. Shakhrai claimed that the treaties help ensure the unity of the Russian Federation (Russian Public Television, 4 July). Critics have charged that such treaties violate the Russian constitution because they deny the various regions equal rights. - Robert Orttung

PATTERNS OF REGIONAL DEVELOPMENT

NIZHNI NOVGOROD: PRESIDENT, PRIME MINISTER BACK SKLYAROV; COMMUNISTS CLAIM FRAUD. Russian President Boris Yeltsin and Prime Minister Viktor Chernomyrdin promised Nizhnii Novgorod Mayor Ivan Sklyarov support if he wins Nizhnii Novgorod's 13 July gubernatorial runoff, Segodnya and Kommersant-Daily reported on 9 July, quoting Sklyarov. On 2 July, Sklyarov had a telephone conversation with Yeltsin, who invited him to meet with Chernomyrdin on 8 July in Moscow. Chernomyrdin promised to send Nizhnii Novgorod 100 billion rubles (about \$17.4 million), a significant part of the federal government's debt to the region. The money is intended to cover unpaid salaries owed to state employees and other social benefits. In addition, Chernomyrdin ordered the Finance and Defense ministries to work out a schedule for making good on a 534-billion-ruble (\$93 million) debt to oblast military-industrial enterprises.

Sklyarov will face Communist Gennadii Khodyrev in the second round of the gubernatorial race. He won the first round by a mere three percentage points (see IEWS Russian Regional Report, 3 July 1997). The opposition considers the 38% that its candidate won in the first round an enormous victory in the region which was governed by First Deputy Prime Minister Boris Nemtsov until April and is regarded as one of the "bastions of reform." Communists believe that they have a good chance of gaining the support of the 15% who voted for the other three candidates in the first round. In the meantime, local pollsters predict Sklyarov's victory if over 40% of the voters turn out in those districts where he finished second in first round voting (Segodnya, 5 July). Turnout in the first round was just over 40%, but it usually drops in the second round.

The Communists claim that their candidate would have done even better if not for fraud at several polling stations. In one rural district where turnout was over 60%, about 15% higher than in the oblast overall, Sklyarov beat Khodyrev by about 20%, Sovetskaya Rossiya reported. The newspaper alleged that it is highly likely that the result was forged. For the run-off, the opposition will post at least three observers at each polling station, according to Moskovskie novosti (no.27). - Anna Paretskaya in Moscow

KEMEROVO MINERS TO STRIKE DESPITE SACKING OF GOVERNOR. Although President Boris Yeltsin sacked Kemerovo Oblast Governor Mikhail Kislyuk last week and appointed the more popular Aman Tuleev in his place, local miners will nevertheless launch a general strike on 11 July, NTV reported on 9 July. In addition to economic demands, such as paying off back wages and funding the regional mining industry, the miners intend to demand the resignation of President Yeltsin and the entire federal government. Yeltsin dismissed Kislyuk in an attempt to reduce miners' discontent over the social situation in the region. The federal authorities hope that the miners will not compromise Tuleev, the most popular politician in the region, and cancel any strike activity.

The day after Tuleev's appointment, First Deputy Prime Minister Anatolii Chubais convened an interdepartmental commission to look into Kemerovo Oblast's problems. Chubais emphasized the steps now being taken to trim spending from the 1997 federal budget would not affect funding of the mining industry. He also said that the government would distribute 300 billion rubles (over \$52 million) to all mining regions, including Kemerovo, during the first ten days of July. However, before completing the transfer, the commission demanded an investigation into the use of an 180 billion ruble (\$31 million) World Bank loan sent to the oblast last year.

Meanwhile, Yeltsin approved the decision of the regional legislature to schedule gubernatorial elections for 19 October 1997. Tuleev confirmed his intention to compete in the race. Everybody agrees that he has the best chance to hold on to his current office even though the voters are likely to hold him responsible for the economic hardship during the months before election day. Tuleev's canny ability to maintain the support of both the federal government and the opposition practically guarantees his victory. - Anna Paretskaya in Moscow

MOSCOW RESIDENCE PERMITS AGAIN DECLARED ILLEGAL. On 2 July the Constitutional Court declared that the operation of the registration (propiska) system in Moscow Oblast is unconstitutional (Rossiiskaya gazeta, 9 July). The constitution adopted in 1993 guarantees a Russian citizen's right to freedom of movement and residence, yet Moscow and St. Petersburg continue to operate the Soviet-era propiska system, under which citizens require police permission to take up residence in those cities. Moscow city and oblast charge new would-be residents 300-500 times the minimum wage (a sum totaling \$4-5000) for the right to move to the city - for example, into an apartment which a person may have purchased. In fact, as Itogi noted in its 24 June issue, this is the fifth time that the propiska system has been declared illegal. Apart from the 1993 constitution, a 1993 Supreme Soviet law banned the practice, and even back in 1990 the USSR Committee on Constitutional Protection had ruled against propiski. The current Constitutional Court had itself ruled against the Moscow city

propiska system in a appeal considered in March 1996. The city authorities justify their flagrant violation of the law by claiming that the cities are in danger of being overwhelmed with poor migrants from the Russian provinces and other countries. - Peter Rutland

BUSINESS BRIEFS

-- The controversial Paris-based Saudi businessman Adnan Khashoggi announced plans to open a Caucasus Investment Bank with no more than \$100 million capital to finance oil, transport, and communication projects in Chechnya, Georgia, Azerbaijan, and the southern regions of Russia. Khashoggi claims to have "Russia's blessing" in the venture. Half of the money will come from Saudi investors, including \$10 million from Khashoggi himself, and the other half primarily from Caucasus investors. (Kommersant Daily, 2 July and Izvestiya, 3 July)

-- Tatarstan President Mintimer Shaimiev is now playing a greater role in the management of the republic's truck maker KamAZ. At Shaimiev's suggestion, First Deputy Prime Minister of Tatarstan Ravil Muratov replaced Nikolai Bekh as chairman of the board of directors at the annual stockholders' meeting on 1 July. KamAZ is heavily indebted to the republican government which owns 43% of its stock. Tatarstan will now take over KamAZ's 3 trillion ruble (\$520 million) debt. Muratov will continue in his government post and maintains control of the oil and petrochemical industries and foreign trade. (Kommersant Daily, 2 July and Finansovye izvestiya, 3 July)

-- France's Peugeot is examining the possibility of assembling cars at Moscow Oblast's Serpukhovsk auto plant and Nizhnii Novgorod's GAZ. Moscow Oblast gives special tax holidays to outside investors who bring in more than \$1 million. One difficulty with the current plans is that there is little Russian demand for small foreign cars of the kind Peugeot would make in Serpukhovsk. Peugeot had tried to assemble cars at GAZ in the late 1980's, but those plans collapsed. The current plans for Nizhnii Novgorod are veiled in secrecy. (Kommersant Daily, 3 July)

-- The Leo Trust Company has returned the \$20 million it received from the Krasnoyarsk Aluminum Factory for raw materials which it never delivered. The plant has also signed a deal with Pif, a firm close to Britain's Trans-World Group, for the delivery of 15 billion rubles (\$2.6 million) worth of raw materials a month. Director Yurii Kolpakov has long been an opponent of cooperating with Trans World. Deliveries have not begun, however, because the factory does not have the money required for prepayments. (Kommersant-Daily, 4 July)

-- St. Petersburg Governor Vladimir Yakovlev signed an agreement on 3 July with Federal Securities Commission Chairman Dmitrii Vasiliev to jointly develop the city's stock market. For Yakovlev, the move is yet another demonstration of his support for Moscow financial circles. Vasiliev's commission has been losing power to the Central Bank and the Ministry of Finance and is seeking regional support to boost his position. He has signed similar agreements with Moscow and Novosibirsk. (Kommersant-Daily, 4 July)

-- Chelyabinsk Oblast's Magnitogorsk steel plant, the world's largest, fired its General Director Anatolii Starikov for resisting the plant's takeover by Moscow's Inkombank. Inkombank currently owns 13.5% of the plant and is planning to buy all of a 4.147 trillion ruble (\$720 million) stock issue that would give it a controlling stake. The plant has been in a financial crisis since 1996, but is planning a 10-year, \$1.2 billion renovation that will give it six new production lines. (Kommersant-Daily, 5 July)

-- The U.S. Agency for International Development has launched a \$14 million program to send volunteers from the US to counsel small businesses in Russia. The program hopes to send 1,000 volunteers over the next two years. Among the organizers will be Winrock International and the ASDI/VOKA farm advisory service. (Nezavisimaya gazeta, 8 July)

-- American investors will pour approximately \$1 billion into 40 projects in Tver Oblast. A ceremony formalizing the agreements will take place in Beverly Hills on 27 July during an event to mark the 850th anniversary of Moscow. Moscow Mayor Yurii Luzhkov will lead the delegation. (Izvestiya, 4 July)

-- The government has approved a license for Almazy Rossii-Sakha (ARS) to export an unpublicized amount of diamonds this year. The company has not been able to export its diamonds since the beginning of the year, a major blow to the Republic of Sakha's budget. (Segodnya, 3 July) Sakha President Mikhail Nikolaev claims that ARS will sign its long delayed agreement with South Africa's De Beers to sell \$550 million worth of uncut diamonds in the second half of July. (Ekho Moskvyy, 7 July)

-- The Japanese firm Marubeni is investigating the possibility of shipping up to 5-6 million tons of Chinese coal across Primorskiy Krai, potentially bringing the region lucrative transit fees. However, the coal would have to be transferred from Chinese to Russian trains because they use different gauge tracks and Russian railroad fees are higher than world standards. Building a transfer station will cost \$20 million, while laying the narrower Chinese tracks the 250 km from the border to the port would cost \$250 million. The Chinese are more enthusiastic about the project than the Russians. (Vladivostok, 4 July, <http://vl.vladnews.ru/>)

-- The new facilities of Novosibirsk's Tomachevo international airport opened on 24 July. The project cost 93 billion rubles so far and requires another 10 billion for completion. Some work will continue even as the airport begins operating. (Novaya sibir, 30 June, <http://plato.sr.unh.edu/siberia/>)

-- Menatep bank is planning a campaign to increase its regional presence. Last month it opened offices in Belgorod, Chelyabinsk, and Elista. Before the end of the year, it plans to open offices in Tambov, Bransk, Penza, and Lipetsk. The branches supply the full range of the bank's services. During the first six months of the year the bank has lent 950 billion rubles (\$165

million) to regional governments which will partially use the money to pay off wage arrears. (Mayak, 3 July)

-- Price Waterhouse will serve as a financial consultant to the Tatarstan Economics Ministry. For two years, the firm has audited the republic's largest company, Tatneft. (Mayak, 3 July)

-- The Ural Automobile Factory, in partnership with the Italian firm Iveco, began producing trucks in Miass on 5 July. The trucks are currently made from kits supplied from Italy, but the company hopes to begin using Russian components by the year 2000. (Channel-6, 5 July)

-- Inchcape, the British importer of AvtoVAZ's Ladas, has announced that it will no longer purchase cars from the Samara Oblast factory. Although Britons have bought more than 350,000 cars from the plant since 1973, demand has dropped off because of the low quality of the cars. AvtoVAZ's directors recently announced that the plant's cars have an average of 42 defects each. (Kommersant-Daily, 8 and 9 July)

-- The 38% state share of Norilsk Nickel, controlled by Uneximbank since October 1995, will be put to auction on 5 August. The minimum price is set at 131.6 million ecu (about \$150 million), and the buyer must invest \$300 million in the giant Krasnoyarsk Krai plant. The investor also must give the plant 400 billion rubles to pay off debts to the pension fund and offset social support costs. Uneximbank, which had invested 370 billion rubles (\$64 million) in the plant as of 1 April 1997, is likely to use the auction to gain control of the company. Norilsk Nickel has a market capitalization of \$1.4 billion. (Kommersant-Daily and Moscow Times, 8 July)

-- The EBRD has paid \$3 million for a 20% share of the Rostov Oblast Gloria Jeans, one of Russia's largest clothing manufacturers. The firm will use the money to establish itself as a recognized Russian brand name and begin exporting to the European market. Arthur Andersen and Levi Strauss conducted financial and feasibility audits of the firm costing the bank's South Russia Venture Fund \$1 million. Gloria Jeans plans to open a chain of brand-name stores in large Russian cities. However, the company had to close its operations in St. Petersburg recently after consumers there demonstrated little interest in the Rostov firm's products. (Kommersant-Daily, 8 July)

-- After cautiously approaching the Russian market since 1992, Nabisco is now planning a major advertising and production campaign. The firm is going to launch a \$500,000 advertising campaign for its cookies. It is also building up a distribution network based on 20 companies cooperating with it in Russia's largest cities. Nabisco has already bought a share of Pskov's Lyubyatovo Cracker Factory and is tentatively planning to buy a plant or build a new one next year. Next week, the British company Cadbury will open a plant in Novgorod Oblast's Chudovo and the German Stollwerck will open a plant in Vladimir Oblast's Pokrov. Last year Nabisco sold \$8.5 million worth of its products on the Russian market. (Kommersant-Daily, 9 July)

-- Tula Oblast Governor Vasilii Starodubtsev said that he won \$60 million in credits from Austrian banks after his visit to Vienna. (Radio Rossii, 7 July)

ECONOMIC ISSUES

PROTECTIONIST MEASURES HELP FOREIGN -BACKED DOMESTIC TV MAKERS.

The Novgorod firm Spektr produced its first Samsung television during the last week in June, Kommersant Daily reported on 4 July. The plant is currently producing several thousand sets a month from imported kits and may ultimately have the capacity to produce 1,000 sets a day. According to an optimistic estimate by Matsushita, Russian consumers will buy 10 million TV sets a year by the year 2000. The Russian government is trying to help domestic producers meet this demand, thus giving a boost to the Novgorod project as well as a Daewoo venture in St. Petersburg (See IEWS Russian Regional Report, 26 June 1997). It is imposing high tariffs on imported TVs, but reducing surcharges on the imported kits. The producers feel that that will only be able to compete if the protectionist measures are given teeth. Now they do not function because of the permeable borders with other CIS countries.

Not all firms have a rosy future however. The Dutch firm Philips bought Voronezh's VELT factory for \$2 million in 1995 and has since spent \$60 million of an originally planned \$210 investment, Kommersant Daily reported on 2 July. However, work at the factory has essentially been frozen since last summer and Philips is now considering pulling out. Its board of directors will decide the factory's fate later this month. The problems are caused by high taxes, large import tariffs, and the profusion of imported televisions on the Russian market as well as Philips own financial difficulties (it lost \$310 million in 1996 after a profit of \$1.3 billion in 1995). Oblast officials said that they would only support the venture if Philips itself maintained a high level of commitment. - Robert Orttung

INGUSHETIYA LOSES FREE ZONE STATUS. On July 3 the Russian government announced that it was stripping Ingushetiya of its status as a free economic zone, which had given it exemption from federal taxes, Segodnya reported 9 July. The decision was met with surprise by Russian Security Council Deputy Secretary Boris Agapov, who until May was vice-president of Ingushetiya. He said that the special status had helped Ingusheshiya to care for 70,000 refugees from neighboring regions and turned the republic into "an island of stability" in the North Caucasus. The move is part of the federal government's campaign to cut back special tax breaks throughout the economy. Ingushetiya was granted offshore status in 1993. Unlike other republics which guaranteed their benefits by signing power-sharing agreements with Moscow, Ingushetiya has yet to make such a deal. - Peter Rutland

KIA HAVING DIFFICULTIES IN KALININGRAD. Both Kia Motors and its plant in Kaliningrad are facing considerable difficulties. Because of the trouble it is having producing cars and repaying its loans, Kia Motors is cutting about 2,000 jobs and reducing its expenses by \$440 million. The company says that its difficulties should not affect its Kia-Baltika plant in Kaliningrad. However, the main assembly line in Kaliningrad has been stopped since 5 June,

Kommersant-Daily reported on 9 June. The main problem is that the cars do not have any buyers. Kia-Baltika is trying to sell its Clarus model for \$20,000, significantly higher than the \$15,000 the plant had originally planned to charge. However, the Korean made version of the car sells for \$21,000 to \$26,000 in Moscow, and is likely to be of higher quality according to the paper. - Robert Orttung

FOREIGN ECONOMIC TIES

NOVOSIBIRSK SEEKS CLOSER TIES WITH CHINA. A Novosibirsk delegation led by Deputy Governor Vladimir Nekhoroshkov recently visited China, Novaya sibir (<http://plato.sr.unh.edu/siberia/>) reported 30 June. The delegation sought to open a Novosibirsk representative office in Beijing. Accomplishing this task will not be simple since Novosibirsk lack's Beijing's status as a national capital. However, the deputy mayor of Beijing and the Russian ambassador to China Igor Rogachev promised to help. The delegation also set up sister city ties with China's third largest city. Additionally, the delegation tried to interest China in establishing a consulate in Novosibirsk. Governor Vitalii Mukha is planning to visit China in November, following the Russian-Chinese summit on which Novosibirsk is placing high hopes. - Robert Orttung

REGIONAL PROFILE: REPUBLIC OF BASHKORTOSTAN

President: Murtaza Rakhimov

The political career of Murtaza Rakhimov, who previously had worked in the oil-processing industry, began in 1990 when the first free regional elections were held. In March of that year he was elected to the republican Supreme Council and a month later became its chairman. Special privileges for Bashkortostan was Rakhimov's condition for signing the Federation Treaty in March 1992. Russian President Boris Yeltsin, who himself once encouraged autonomous republics "to take as much sovereignty as you can swallow," had to sign a separate agreement with Bashkortostan, giving the republic exclusive rights over property and mineral resources located on its territory, special privileges for foreign trade, and an independent system of legislative and legal institutions.

Though Rakhimov is usually loyal to Yeltsin and has joined the leadership of the pro-governmental Our Home Is Russia movement, he has opposed some of the president's policies. For instance, he denounced Yeltsin's attack on the federal parliament in October 1993. He also objected to the economic reforms initiated by acting prime minister Yegor Gaidar and opposed the constitution adopted in 1993.

In December 1993, Rakhimov was simultaneously elected the republican president and a member of the new Federation Council. In March 1997, Yeltsin invited him to join a federal commission on Chechnya, which is to work on defining Chechnya's status and other issues concerning Russian-Chechen relations.

Other Local Leaders

Chairman of the State Council -- Mikhail Zitsev (elected in March 1995)

Chairman of Chamber of Representatives (State Council's House) -- Minnarais Ishmuratov (elected in March 1995)

Chairman of Legislative Chamber (State Council's House)-- Anas Khasanov (elected in March 1995)

Brief Overview

The first mention of Bashkortostan in written sources occurred in the 9th-10th centuries. Then, Bashkirs were a nomadic, pagan tribe. By the end of 14th century they were mostly converted to Islam. In 1557, Bashkiriya joined the Russian State. Now, the republic's population includes 70 nationalities: the Russians make up the largest group, 39.3%, followed by the Tatars (28.4%) and Bashkirs (21.9%).

The republic lies on the border of Europe and Asia and encompasses the eastern end of East-European Plain, part of Southern Ural mountains, and some plateaus beyond the Urals. The republic boasts over 70 kinds of mineral resources, including oil, gas, coal, copper, iron, and several precious metals. Extracting and processing raw materials, particularly oil, gas, and coal, make up the bulk of the republic's industry. Bashkortostan has one of the highest concentrations of chemical, petro-chemical, and military industries in the Russian Federation. Fuel and energy make up over 50% of its exports, while the chemical industry comprises another 30%.

Basic Facts

1995 Population (est.): 4,008,200 (2.75% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 4.12%

Agricultural production as percentage of all Russian production (1994): 3.27%

Average personal income index in July 1995: 67 (Russia as a whole = 100)

Price basket index in July 1995: 88 (Russia = 100)

Average back wages owed per person (September 1995): 63,800 rubles (Russian average = 37,100)

Urban population: 64.6% (Russia overall: 73.0%)

Student population (1993): 119 per 10,000 (Russia overall: 171/10,000);

Pensioner population (1994): 23.89%

Percent of population with higher education (1989 census): 7.6% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 29.7% (Russian average: 29.9%);

Agriculture: 18.7% (12.8%); Trade: 7.4% (9.1%); Culture: 12.2% (13.6%); Management: 1.7% (2.3%)

Number of telephones per 100 families (1993): in cities : 34 (Russian average: 41.5); in villages: 14.4 (17.2)

According to a 1995 survey by Bank Austria, the republic is ranked 49th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 34.19%/51.01% (first round/second round)

Zyuganov: 41.86%/43.14%

Lebed: 8.93%

Yavlinskii: 6.78%

Zhirinovskiy: 2.87%

Turnout: 79.03%/80.49% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 25.52%

Agrarian Party of Russia: 15.42%

Our Home Is Russia: 15.32%

Communists -- Workers' Russia: 6.06%

Women of Russia: 5.39%

Liberal Democratic Party of Russia: 4.63%

Yabloko: 4.33%

In single-member districts: 2 Communist Party of the Russian Federation, 2 Agrarian Party of Russia, 2 independent

Turnout: 73.81% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 40.71% "No" -- 59.29%

1993 Parliamentary Elections

Agrarian Party of Russia: 24.76%

Communist Party of the Russian Federation: 15.08%

Party of Russian Unity and Concord: 13.06%

Liberal Democratic Party of Russia: 12.56%

Women of Russia: 9.23%

Russia's Choice: 8.51%

Democratic Party of Russia: 4.45%

Yabloko: 3.88%

In single-mandate districts: 4 independent, 1 Agrarian Party of Russia, 1 Party of Russian Unity and Concord

From electoral associations: 1 Communist Party of the Russian Federation

Turnout: 63.74% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 45.93%

Ryzhkov: 23.64%

Zhirinovskiy: 7.53%

Tuleev: 6.54%
Makashov: 5.14%
Bakatin: 2.97%
Turnout: 76.13% (Russia overall: 76.66%)

Sources: Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections], Moscow: Yuridicheskaya Literatura, 1995; Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown], Moscow: Panorama, 1996; Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995], Moscow: Central Electoral Commission, 1996; Gubernatory Rossii [Governors of Russia], Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: Regional Risk Rating in Russia, Vienna: Bank Austria, 1995.

Compiled by Anna Paretskaya

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Dear Readers,

Following this issue, the Russian Regional Report (RRR) will take a 3-4 week summer break and resume publication in the middle of August.

This break is necessary because much of the RRR staff will be moving to New York. Anna Paretskaya will be attending graduate school at New York's New School for Social Research in the fall. She will continue to contribute to the report in a variety of ways. Robert Orttung will be leaving Prague to join the Institute for EastWest Studies' New York office.

Best wishes for a happy summer break. We look forward to your continued readership when we return.

RRR Editors

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The Institute for EastWest Studies (IEWS) is a transnational nonprofit organization founded in 1981 to challenge, bridge and transform the security, economic and social situation in Central Europe and Eurasia.

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TABLE OF CONTENTS

Breaking News

A survey of key events in Russia's Regions

Center-Periphery Relations

The Federals vs the Regions: An Uneasy Balance

Constitutional Court Rules on Tyumen Dispute

Yeltsin Increases Power of Presidential Representatives

Patterns of Regional Development

Nizhnii Novgorod: New Governor Distances Himself from Nemtsov

Limanskii Elected Samara Mayor

Kemerovo Protesters Demand that Yeltsin, Government Resign

Stavropol Fascists

Rossel's Plans for Local Government Run into Opposition

Social Issues

Chechen Refugees Returning from Dagestan

Kurgan Oblast to Build Facility to Dispose of Chemical Weapons
Smolensk Nuclear Plant Workers Seek More than Salaries

Business Briefs

A Weekly Summary of Key Deals in the Regions

Economic Issues

Sakha (Yakutiya) Is Melting

Production to Resume at Segezhabumprom

Investors Examine Chelyabinsk Metals Plant

Railroads Look to Regions for Help

Border Issues

Finns Reject Joint Border Patrols

Regional Profile: Republic of Udmurtiya

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ACE - Analysis of Current Events

BREAKING NEWS

10 July

-- The **ARKHANGELSK** Oblast Procurator's Office accused former Arkhangelsk mayor Vladimir Gerasimov of misusing budgetary funds. During his tenure, the city administration gave billion-ruble loans from the city budget to commercial firms, while civil servants were not paid their wages in time. Gerasimov lost his reelection bid in December 1996 (*Segodnya*, 11 July).

12 July

-- The **DON COSSACKS** celebrated their official induction into state service in **ROSTOV OBLAST'S** Novocherkassk. They will be involved in agricultural, border guard, police, and tax collection activities. Rostov Governor Vladimir Chub also named Don Cossack Ataman Vyacheslav Khizhnyakov a deputy governor. Another group of Don Cossacks in opposition to Khizhnyakov's group described the move as a "misunderstanding." (NTV, 12 July)

14 July

-- The 35 members of the **MOSCOW CITY** Duma voted to hold elections on 14 December 1997. The current membership was elected on 12 December 1993 for a two-year term, which they then extended for an additional two years. The courts are still considering various protests against the extension. Last month, Moscow city court ruled that prolongation of the Duma's term was illegal and ordered it to schedule voting for no later than October this year. The Duma, however, ignored the court's ruling. (*Segodnya*, 15 July)

-- Viktor Kondratov, the presidential representative in **PRIMORSKII KRAI**, announced that the federal government plans to wire a 56-billion-ruble transfer to the region which will cover

wage arrears and vacation allowances for the krai's teachers and doctors. Another 20 billion will be allotted for employees of the Zvezda nuclear submarine repair works. The money were earmarked after Kondratov's visit to Moscow (*Segodnya, Rossiiskaya gazeta*, 15 July).

-- President of **NORTH OSETIYA** Akhsarbek Galazov called on leaders of the North Caucasian regions of the Russian Federation to hold a meeting where they would discuss and work out a strategy for fighting crime and terrorism in the area. He took the initiative following a spate of hostage-taking and terrorist attacks in different parts of the region. (*Nezavisimaya gazeta, Moskovskii komsomolets*, 15 July)

15 July

-- Ingush President Ruslan Aushev sent a cable to the Russian President Boris Yeltsin informing the federal center about a recent flare-up in the **INGUSH-OSETIAN CONFLICT** and calling on the Russian president to prevent any further violence. The same day, Russian Security Council Secretary Ivan Rybkin arrived in Ingushetiya to meet with Aushev. Among other things, they discussed the possibility of introducing direct presidential rule in the Prigorodnyi raion of North Osetiya, the epicenter of the conflict. North Osetian president Akhsarbek Galazov denounced idea of direct presidential rule and accused Aushev of destabilizing the situation in the region (*Trud, Segodnya, Nezavisimaya gazeta*, 16 July).

CENTER-PERIPHERY RELATIONS

THE FEDERALS vs THE REGIONS: AN UNEASY BALANCE. As Russian politicians retreat to their dachas for the summer, commentators are divided over how to evaluate the political balance between the federal government and the regions. Some are inclined to believe that the new dynamic government led by First Deputy Prime Ministers Anatolii Chubais and Boris Nemtsov has already begun to reverse the steady seepage of power from Moscow which had occurred over the past several years. Their tightened grip over the federal purse strings, and energetic efforts to rein in the natural monopolies, will enable Moscow to reassert its authority.

Hence Vladimir Shpan argued in *Segodnya* of 9 July that the power of the regional governors peaked last fall, at the time of their popular election, when "the governors felt themselves to be government officials of the highest rank, on a par with the ministers." Now they are not so sure: Shpan argues that "Those who stand around the lobby [of the Federation Council] looking puzzled include not only those who lost the elections, but those who won as well." The Kremlin still has control over crucial financial flows and economic decisions, and is also threatening regional governors with reform of local self-government -- which would mean governors having to share money with city and district officials according to federal rules. The governors prefer the current ambiguous situation, where they lobby Moscow for funds and favors and then dole them out in their own territory.

When he returns from his driving vacation through Norway, Chubais may well turn his attention to tightening the rules covering fiscal federalism. According to one of his aides cited in *Moskovskii komsomlets* of 9 July, Chubais was very proud of having stripped Ingushetiya of its status as a free economic zone, and of signing a treaty with Yakutiya which strips it of much of its budgetary autonomy. Now only Tatarstan, Bashkortostan, and Chechnya are in the position where they have dictated the terms of their financial relations with Moscow.

Going against this upbeat interpretation, however, is the government's effective defeat at the hands of Primorskii krai Governor Yevgennii Nazdratenko. For several weeks, it looked as if the Kremlin was preparing to fire Nazdratenko, on the grounds that his mismanagement had brought the region's economy to the brink of collapse. By appointing the head of the region's Federal Security Service, Viktor Kondratov, as presidential representative in the province and giving him the job of distributing federal funds, the government seemed to be trying out a new get-tough policy with which to threaten recalcitrant governors. If so, the move backfired. At the Federation Council meeting on 3 July governors of all political inclinations rallied to the defense of the Primorskii governor, and extracted from President Yeltsin a promise that the Primorskii model of direct rule would not be extended to other regions. (see *Russian Regional Report*, 10 July). Meanwhile, Nazdratenko mounted an effective counter-offensive in the national media, giving long interviews for NTV's "Hero of the day" and the radio-station Ekho Moskvyy in which he blamed his region's woes on federal non-payments. While Nazdratenko was out campaigning, the unfortunate Kondratov was left conducting six hour negotiations with striking workers at the Zvezda shipyard on 30 June, trying unsuccessfully to persuade them not to block the Transsiberian railway line the next day.

Life is probably a lot easier for the federal government if it has the governors as a buffer between it and the local population -- witness the appointment of the popular and strong-willed Aman Tuleev to take over as governor of the troubled Kemerovo Oblast on 1 July. Aleksandr Frolov, writing in *Sovetskaya Rossiya* on 8 July, argued that a consistent theme in Yeltsin's struggle to seize and retain power from 1990 on has been his willingness to weaken national institutions and promote separatism. He argued that Yeltsin's rule is based on a simple contract with regional elites: "I give you a free hand in the provinces, but do not poke your nose into my affairs at the center." If Yeltsin, under pressure from his new reformist government, tries to impose order on this rather chaotic equilibrium, he runs the risk of triggering a "fronde" (a reference to civil wars in 17th century France), in which regional leaders follow Nazdratenko's lead and openly defy the authority of the center. - Peter Rutland

CONSTITUTIONAL COURT RULES ON TYUMEN'S DISPUTE WITH ITS

AUTONOMOUS OKRUGS. The Russian Constitutional Court announced its decision on the relationship between Tyumen Oblast and the separatist Khanty-Mansi and Yamal-Nenets autonomous okrugs on 14 July. The court's ruling, however, did not make the relationship between the three federation subjects any clearer than it had been previously. The court recognized legitimacy of both constitutional provisions which regulate relationship between okrugs and kraises and oblasts. On the one hand, the okrugs are parts of Tyumen Oblast. On the other hand, the okrugs have equal rights with the oblast in relations with the center, other federation subjects, and foreign states. Moreover, they have the right to secede at any time

without the agreement of a federation subject they belong to. To be valid, the secession must simply be approved by a federal constitutional law (*Segodnya*, 15 July and *Kommersant-Daily*, 16 July). According to the court's ruling, the okrugs are obliged to participate in elections to the oblast's executive and legislative institutions. However, the powers of these institutions are defined by federal legislation, regional statutes, and bilateral treaties.

The court began studying the matter on 24 June at the request of the legislative assemblies of the three federation subjects. The Tyumen Oblast deputies claim the superiority of the oblast institutions and laws, while the okrugs' representatives insisted that the Russian Federation Constitution gives all federation subjects equal rights. The argument began four years ago with the adoption of the new constitution and reached its peak last fall. Both the okrugs refused to participate in the oblast's gubernatorial election. After intensive consultations with the okrugs' leaderships, the Kremlin convinced them to take part in the voting. Though the turnout in both regions was too low to proclaim the elections valid on their territories, it did not affect the overall oblast outcome since a majority of oblast population is concentrated outside of okrugs. The country's other seven autonomous okrugs do not have problems with the oblasts and kraises of which they are a part. Chukotka AO officially does not belong to Magadan Oblast any longer: it seceded from the oblast in 1993 in accordance with all the required procedures. Everybody agrees that the cornerstone of disagreement between Tyumen and Khanty-Mansi and Yamal-Nenets lies is economic rather than political: Khanty-Mansi has over two thirds of the country's oil fields, while Yamal-Nenets houses 90% of Russia's gas resources. The other okrugs are relatively poor in mineral resources and, thus, neither they nor the regions they belong to have claims on each other.

The Constitutional Court's muddled decision can be explained by its reluctance to take exclusive responsibility for resolving such a delicate matter, *Segodnya* suggested. Last week, the Federation Council passed a draft federal law regulating the relations between okrugs and the federation subjects of which they are a part. Yeltsin must now decide whether to sign the bill. The problem is unlikely to be solved soon, however, since none of the sides wants to compromise. For the time being, however, representatives from both Khanty-Mansi and Yamal-Nenets have ruled out the possibility that their okrugs would officially secede from Tyumen Oblast. - Anna Paretskaya in Moscow

YELTSIN INCREASES POWER OF PRESIDENTIAL REPRESENTATIVES. President Yeltsin signed a decree dramatically increasing the power of his representatives in the regions on 9 July. Until now the representatives have been relatively powerless and served as the regional eyes and ears for the Kremlin. Now they will have the authority to monitor the implementation of federal programs, the use of federal property, and the way money from the federal budget is spent (*Segodnya*, 14 July). The move is clearly another step in the president's attempts to reign in the power of the now democratically elected governors.

One of the key tasks of the representatives will be to impose order on the regional branches of the federal ministries. Each republic and region has approximately 90 branches of federal departments on its territory. The federal employees in the regions often come under the influence of the regional leaders who control many of the local resources and the new decree seeks to place the regional branches firmly under central control.

The president may have trouble making his decree work effectively, however, since his representatives tend to ally themselves with the governors. After representatives were fired in Primorskii Krai and Sverdlovsk Oblast recently, the respective governors hired them on to their staffs (See *Uralskii rabochii*, <http://ur.etel.ru/>, 10 July). While Kondratov is unlikely to begin to cooperate with Nazdratenko in Primorskii Krai, the as yet unnamed representative in Sverdlovsk may find it hard to counter the resourceful Governor Eduard Rossel. Even Kondratov is finding that Primore's difficulties are not simply the result of Nazdratenko's actions, and may end up in the uncomfortable position of criticizing both Nazdratenko and the Kremlin.

In regions such as the Altai Krai, where the communists won the recent gubernatorial elections, the local representative will find it easier to serve the president more faithfully. In the 5 July *Rossiiskaya gazeta*, for example, presidential representative Vladimir Raifikesht accused the region's leadership of using state funds to further its commercial interests. - Robert Ortung

PATTERNS OF REGIONAL DEVELOPMENT

NIZHNI NOVGOROD: NEW GOVERNOR DISTANCES HIMSELF FROM NEMTSOV, COMMUNISTS QUESTION LEGITIMACY OF RESULTS. The day after being elected Nizhnii Novgorod Oblast governor, Ivan Sklyarov slammed his predecessor Boris Nemtsov, who had left the office in late March to join the federal government as a first deputy prime minister. Though claiming to support friendly relations with the former governor, Sklyarov called into question Nemtsov's exclusive role in initiating and carrying out reforms in the region. He claimed that his role was as large as Nemtsov's in reforming the regional economy, *Kommersant-Daily* reported on 16 July. Sklyarov had been Nemtsov's first deputy until December 1995 when he was elected mayor of Nizhnii Novgorod. He also blamed Nemtsov for joining his campaign effort late. Sklyarov claimed that Nemtsov only came to campaign for him after his victory was certain.

At the same time, Sklyarov praised Moscow Mayor Yurii Luzhkov for his strong support during the campaign: the two mayors had two-three phone conversations a week during the campaign period. Sklyarov's conduct towards his predecessor is unsurprising, *Kommersant-Daily* claimed. Immediately after his election, Sklyarov joined forces with those governors who are ready to blame the federal government and Nemtsov personally for the economic and social hardship in their regions. In addition, the newspaper suggests that Sklyarov may prefer Luzhkov over Nemtsov as the next Russian president.

Despite Sklyarov's claims, many analysts agree that Nemtsov's visit to the oblast on the eve of the run-off improved Sklyarov's showing. He won 52.4% of the vote in the 13 July second round compared with 42.2% received by the opposition nominee Gennadii Khodyrev. Since the first round, the gap between the two candidates increased by seven percent. The visit of Prime Minister Viktor Chernomyrdin to a nuclear research center in a city of Sarov, also known as Arzamas-16, significantly influenced the outcome of voting. Among other things, Chernomyrdin promised to cancel a 150-billion-ruble debt to the center. While over a half of the Sarov electorate supported Khodyrev in the first round, Sklyarov won the city in the run-off, according to *Sovetskaya Rossiya* on 15 July. However, the greatest achievement of

Chernomyrdin's and Nemtsov's visits was to boost turnout by about five percent between the rounds, unprecedented in recent regional elections. Cynics argue that the bad weather on 13 July which kept people from traveling to their dachas was a more significant factor.

After the election results had been announced, Valentin Kuptsov, a leading member of the Communist Party, said that the opposition was quite satisfied with election result since Sklyarov, known as a good manager, and the federal government will have to reckon with the nearly 50% of the electorate that voted for the Communist candidate. *Sovetskaya Rossiya* on 15 July announced that the opposition would protest the election results in court. Khodyrev's campaign headquarters the next day confirmed that they would lodge a protest. The opposition can force the court to examine certain irregularities which took place during the voting but the appeal is unlikely to change the general outcome of the race. However, the Communists will undoubtedly continue the battle over Nizhnii Novgorod: they are eager to place their candidate in the mayor's office vacated by Sklyarov. According to preliminary information, the mayoral elections will be scheduled for spring 1998, along with the regional legislative elections. - Anna Paretskaya in Moscow

LIMANSKII ELECTED SAMARA MAYOR. Deputy Chairman of the Oblast Duma Georgii Limanskii defeated Deputy Mayor Anatolii Afanasev 54.6% to 38% to win election as Samara mayor on 13 July. Deputy Prime Minister Oleg Sysuev, the former mayor, had formally backed Afanasev in the campaign. Aleksandr Belousov, who won 15% in the first round, did not back either of the candidates in the second. On 8 July he forbid Afanasev from using his name in the campaign, and this rebuff may have done Afanasev in, according to *Samarskoe obozrenie* on 14 July. On the 9th, Second Secretary of the Communist Party of the Russian Federation Valerii Kozlenkov announced his support for Afanasev in exchange for a position in the administration. This opportunist announcement did Afanasev little good, however, when the Communists' candidate in the first round, Valerii Kozlenkov, said that the party did not support either of the candidates. Governor Konstantin Titov remained above the fray, saying that his sympathies were on the side of the winner.

Following his election, Limanskii vowed to implement his campaign promises. He will return apartment rents to the prices charged in 1996, reduce excessive staff managing the city's housing supply, increase employment by distributing orders from AvtoVAZ to local producers, fight street crime, and allow people to freely sell produce from their own gardens (*Izvestiya*, 15 July). - Robert Orttung

KEMEROVO PROTESTERS DEMAND THAT YELTSIN, GOVERNMENT RESIGN.

About two thousand people gathered in the city of Kemerovo on 11 July to protest the government's economic policy, Russian media reported. Though regional trade union leaders claimed that nearly all regional enterprises participated in the protest action, they certainly failed to organize a general strike as they had intended. Only the morning shift miners in Prokopenvsk actually went on strike. Despite the low turnout, the rally participants in Kemerovo and some other cities in the oblast aggressively criticized the reforms carried out by the government and demanded that Yeltsin and his ministers step aside. Regional trade union leader Anatolii Chekis warned the government that by the fall the protest movement would spread to other regions and

become truly national. Recently appointed Governor Aman Tuleev attended the rally but did not support the demand for Yeltsin's resignation. He promised to publish information about how budgetary funds are being spent and called for tough public oversight of regional deputies, local administrators, and enterprise managers. He also asked businessmen to give the regional administration long-term loans to pay overdue wages and support agriculture while denying rumors that he was collaborating with the government. - Anna Paretskaya in Moscow

STAVROPOL FASCISTS. The leader of the Stavropol branch of Aleksandr Barshakov's Russian National Unity (RNE) was interviewed by *Izvestiya* on 12 July. Andrei Dudinov told the paper that his branch of the organization has 2,000 members, who are waiting for the hour to seize control and establish "Russian order" with an "iron fist." He said their aim is "to shed a little blood to prevent a larger bloodshed." He did not like the label fascist, which was adopted by Mussolini, but said instead that their philosophy is national socialism along Nazi lines. They organize military-style training for youths, including two summer camps, and claim to have a network of supporters among the police, Federal Security Service, and two military units relocated in Stavropol from Chechnya -- the 205th army division and 101st MVD division. Aleksei Likhachev, the deputy ataman of Grachevskii raion Cossacks, said he supported RNE, and urged the expulsion of all "disloyal" Jews from the country. Nationwide, the RNE claims 25,000 members. The party's chances of becoming a real mass movement, or gathering serious support in the armed forces, are slim, but it presumably already has the capacity for initiating political violence. - Peter Rutland

ROSSEL'S PLANS FOR LOCAL GOVERNMENT RUN INTO OPPOSITION.

Sverdlovsk Governor Eduard Rossel is trying to create a system of six administrative districts that will stand between the local and oblast governments. He hopes that the districts will make it easier for him to control local leaders in his jurisdiction. The oblast legislature has adopted laws on two of the districts and the governor has signed them. The lower house has also approved bills on three additional districts and they are waiting the approval of the upper house. However, the draft law on the Central District, which will include Yekaterinburg, is causing considerable controversy.

Although the draft law for the Central District repeats much of what is in the others, Sverdlovsk Mayor Arkadii Chernetskii, many of the mayors of nearby cities, and the city Duma believe that the draft does not meet the needs of the oblast's most developed and populated region. Chernetskii argued that the plan for the central district ruins the entire scheme of the administrative districts because it has become a "dumping ground" for a variety of cities that did not want to be included in the districts where they logically belong. Moreover, the current definition of the district does not take into account the economic ties that Yekaterinburg has built up with such nearby cities as Verkhnyaya Pyshma and Sredneuralsk.

Chernetskii and his allies are opposed to the Rossel's plan to create the new districts because they would give power to administrators appointed directly by Rossel rather than the elected local leaders. Their strategy seems to be to fight Rossel on their home ground of Yekaterinburg, according to *Uralskii rabochii* (<http://ur.etel.ru>) on 11 July. Rossel's opponents

have won this round of the battle, but it is not yet clear who the ultimate victor will be. - Robert Orttung

SOCIAL ISSUES

CHECHEN REFUGEES RETURNING FROM DAGESTAN.

by Nabi Abdullaev, Political Editor, *Novoe Delo* [Dagestan]

MAKHACHKALA - Since the beginning of the conflict in Chechnya at the end of 1994, refugees have been pouring into Dagestan. In April 1995, their numbers reached 110,000. Today there are about 9,000 refugees in the republic according to the Federal Migration Service, and 17,000 according to the distribution lists used by the World Food Programme. These lists include those refugees who have already been repatriated to Chechnya, but who regularly come to Dagestan for the food handed out by humanitarian organizations. They do not include ethnic Dagestanis who previously lived in Chechnya but are now living in Dagestan with relatives or friends, and those who fled Chechnya before the war started and settled in Dagestan.

As soon as the refugees began coming to Dagestan, the Dagestani government issued an edict forbidding the sale of apartments or houses to residents of the Chechen Republic or the registration of their automobiles. However, the ban gave rise to a number of abuses. Now it is not uncommon for apartments to be sold in exchange for bribes, and real estate buyers and car owners to change the nationality registered in their passports. Because of the booming demand, real estate prices in Makhachkala jumped 1.5 to 2 times since the beginning of the conflict and have remained at the new level. The number of luxury foreign cars registered per person is now the highest in Russia.

Humanitarian aid organizations are now working to repatriate Chechen refugees to their homeland. The United Nations High Commissioner for Refugees (UNHCR) is offering refugees transportation back to their villages and supplying them with essential household items such as kitchen utensils, mattresses, and sheets. They are also distributing seeds to start gardens. For those who return, the UNHCR is buying agricultural equipment in Vladikavkaz and Nazran. In conjunction with the WFP, the UNHCR also provides returnees with two months worth of food. The international aid organizations do not currently have the capacity to distribute food in Chechnya. After the murder of six employees of the International Committee of the Red Cross on 16 December in Chechnya, humanitarian organizations have forbidden their employees from going into Chechnya for security reasons.

Most of the ethnic Dagestanis who left the Chechen Republic do not plan to return in the near future. The Dagestani authorities have tried to help them find a place to live and work, but has been powerless to provide any real assistance. These refugees are receiving food packages mainly from the WFP, the UNHCR, and occasionally the Federal Migration Service. If they have documents showing that they lost property during the course of the conflict they can join a line for compensation, with the amount not to exceed 30 million rubles per family. However, no one has actually been compensated yet.

Speaking for the Dagestani authorities, Dagestani Minister for Nationalities and Foreign Affairs Magomedsalikh Gusaev said that the republic wants the international organizations to distribute humanitarian aid in Chechnya to encourage more refugees to leave Dagestan for Chechnya. The fear that Chechens will come to Dagestan in search of food seems to be exaggerated, however. In fact, refugees are continuously leaving. According to the Federal Migration Service, the number in Dagestan has dropped from 14,000 to 9,000 in the last month and a half.

The UNHCR is conducting seminars with the participation of NGOs, Dagestani government organizations, and private citizens about the legal protection of refugees. The UNHCR hopes to prevent the forced return of refugees to places where their life would be endangered. Despite the fact that the Dagestani government is not interested in the continued presence of refugees in the republic and the Chechen government claims that it wants refugees to return as quickly as possible, there may be individual cases where people cannot return. The Dagestani office of the UNHCR has announced that it will defend any forced migrants being pressured to leave Dagestan.

KURGAN OBLAST TO BUILD FACILITY TO DISPOSE OF CHEMICAL

WEAPONS. Kurgan oblast will build a facility to dispose of the chemical weapons currently stored on its territory. The federal program for disposing of chemical weapons calls for doing so in the territory in which they are currently being stored since this is the only realistic option. Several regions have passed local legislation forbidding the transport of chemical weapons across their territory. Moreover, transporting the chemical weapons by rail or road is extremely expensive because of the numerous environmental and security precautions that have to be taken, according to *Novyi mir*[Kurgan] on 24 June. Any local concern about the construction of the plant is dampened by the fact that preserving the weapons in the oblast presents an even greater danger to the population than destroying them. The facility, to be built with partial US funding, will be surrounded by a 3 km sanitary zone. - Robert Orttung

SMOLENSK NUCLEAR PLANT WORKERS SEEK MORE THAN SALARIES.

Workers from the Smolensk Nuclear Power Plant reached Moscow 's Garden Ring Road on 14 July and set up camps there to await the arrival of workers from other stations, *Nezavisimaya gazeta* reported 15 July. They are expecting workers from the Leningrad, Kola, Kursk, and Novovoronezh stations and plan to picket the White House at the end of the week. The march began on 3 July. The workers say that their protests are not merely about their salaries, which they have not received in three months. They complain that the nuclear power plants where they work do not receive enough money to maintain necessary levels of safety. Now the stations sell energy to the monopoly Unified Energy System (EES), but only receive 2-3% in real money. - Robert Orttung

BUSINESS BRIEFS

-- **MOSCOW'S MOSVICH** and **SAMARA'S AVTOVAZ** are planning to combine forces to make a mid-size car like the Audi-100 or the Mazda-626 that will cost about \$16,000. Many

questions hang over the project, such as the source of financing. **RENAULT** may provide outside investment. (*Kommersant-Daily*, 10 July)

-- In the first case of voluntary nationalization, more than 300 workers at the **MAGADAN FOOD COMPLEX** voluntarily signed their shares over to the regional administration. The factory's accounts have been frozen, it is in considerable debt, and has not paid its workers in months. The administration hopes to refit the plant to produce quick-selling items such as vodka, fish preserves, and other goods so that the workers will not be forced onto the street. (*Izvestiya*, 11 July)

-- Russia's arms exporter **ROSVOORUZHENIE** has opened up its first representative office in Izhevsk, **UDMURTIYA** to facilitate the export of weapons produced in the republic. (*Udmurtskaya pravda* [Izhevsk], 27 June)

-- **SAMARA'S ROSESTBANK** won a \$30 million syndicated credit on 25 June in London. The banks involved in the deal are **BERLINER BANK, HAMILTON BANK, BANK AUSTRIA, BAYERISCHE VERINSBANK, KOREA INTERNATIONAL MERCHANT BANK, BANK POLSKA KASA OPIEKI, BAYERISCHE LANDESBANK GIROZENTRALE**, and **EUROPA BANK**. Rosestbank is planning to lend the money to enterprises like Volgotanker, AvtoVAZ, aeronautical factories, and food processing plants. The oblast eventually hopes to issue Eurobonds, but must complete extensive preparatory work before this step will be possible. It is currently examining proposals from **GOLDMAN SACHS, ING BARINGS, JP MORGAN, CS FIRST BOSTON**, and **DEUTSHE MORGAN GRENFELL** for managing the debt issue. (*Samarskoe obozrenie*, 7 and 13 July)

-- **AEROFLOT** Director Valerii Okulov was in Kazan 12 July to discuss the purchase of TU-214s produced in **TATARSTAN**. Tatar officials were extremely upset about Aeroflot's plans announced last year to buy 10 Boeing 737-400s and sought to get the company to buy domestically produced planes. However, Okulov is concerned that the plane's avionic systems will not meet the European standards that will go into effect in February 1998. The airline did not commit itself to buying anything. (*Kommersant-Daily*, 15 July)

-- The joint venture between the **YELABUG AUTOMOBILE FACTORY** and **GM** to manufacture Chevrolet Blazers has produced 1,000 vehicles to date and sold 200 of them. 500 kits remain to be assembled. The plant plans ultimately to produce 50,000 cars a year with 70% local content. It now has dealers in Kazan, Yelabug, St. Petersburg, and Moscow. Over five years, it plans to sign agreements with 100 dealers in 62 large Russian cities.

-- The Spanish firm **INEKO** was chosen from among 15 competitors to begin planning the St. Petersburg-Novgorod leg of the **ST. PETERSBURG-MOSCOW HIGH-SPEED RAILWAY**. Planning the first link of the new line will cost \$16 million. The Spanish bank **SANTANDER** has provided a credit for 85% of these costs while the other 15% will come

from the High Speed Railroad Company. Ineko developed the Madrid-Seville High Speed Railroad. The State Duma approved the project on 19 June but it still faces considerable criticism since the route crosses the Valdai National Park. (*Sankt-Peterburgskie vedomosti*, <http://www.dux.ru/enpp/newspapers/spbved/>, 12 June)

-- The **WORLD BANK** is preparing to lend Russia \$300 million to repair roads in Siberia and the Far East during the period 1998-2003. The project will repair 600-700 kms of roads and 4-5 major bridges. Russia will provide \$300 million of its own money for the project. (*Segodnya*, 16 July)

-- The German firm **STOLLWERCK** opened its new confectionery factory in Pokrov, **VLADIMIR OBLAST** on 15 July. The factory was built within one year at a cost of 35 million Marks. It will have a capacity of 10 tons a year. **CADBURY** will open its 40 ton capacity plant in Chudov, **NOVGOROD OBLAST** this week. Other companies, like **STORCK** and **VAN MELLE**, are waiting to see how these plants turn out before setting up their own production lines in Russia. (*Segodnya*, 16 July) Moscow's **RED OCTOBER** factory is planning to issue \$20-25 million worth of Eurobonds by the end of the year. The plant just realized \$24.5 million from a stock issue. (Mayak, 10 July)

-- The **ORIENT-AVIA AIRLINE**, which provided service between Moscow and **PETROPAVLOVSK-KAMCHATKA** and **VLADIVOSTOK** ended its flights 10 July and went out of business on 12 July. The airline is apparently 80 billion rubles in debt. The bankruptcy stranded hundreds of passengers in Moscow's Sheremetevo airport and forced a flight that had already left for the Far East to return to Moscow. The airline was recognized as the "official carrier" of the Primorskii Krai administration. The problems of the administration may be the main reason for the demise of the airline. (Radio Rossii, 14 July and *Kommersant-Daily*, 15 July)

-- **KRASNOYARSK ALUMINUM FACTORY** General Director Yurii Kolpakov resigned his post 14 July. His replacement is Igor Vishnevskii, the representative of the Swiss **GLENCORE INTERNATIONAL**, who may be able to raise much needed capital for the plant. The factory is seeking \$1.5 billion to pay for urgent renovations. Kolpakov has been battling with Gennadii Druzhinin, the former chairman of the plant's board of directors. (*Moscow Times*, 15 July)

-- Shareholders from **CAMBRIDGE CAPITAL MANAGEMENT**, **RENAISSANCE CAPITAL**, and the **MFK INVESTMENT BANK** in the **NOVOLIPETSK METALLURGICAL COMBINATE** managed to exercise their voting rights to prevent the adoption of the steel producer's new charter on 12 July. The shareholders have fought unsuccessfully with the plant's managers to get their representatives accepted into the board of directors. They are opposed by the other shareholders, Russian firms controlled by Britain's **TRANS WORLD GROUP**. (*Kommersant Daily*, 15 July)

ECONOMIC ISSUES

SAKHA (YAKUTIYA) IS MELTING. A dozen buildings in the city of Yakutsk are in imminent danger of collapse, RTR reported on 5 July, and the local authorities are considering declaring a state of emergency. The city is built on permafrost, the top three metres of which thaws during the summer, which has been particularly hot this year. Buildings are erected on piles, but they "wander" over time. As summer temperatures thaw the permafrost, last week a swimming pool and school collapsed. Flooding has also meant that for the past year the airport has only had one useable runway, which is technically illegal. As there are no roads or railways to the city from the "mainland" the 200,000 inhabitants have no choice but to rely on the airport. - Peter Rutland

PRODUCTION TO RESUME AT SEGEZHABUMPROM. Sweden's AssiDoman announced 14 July that it would resume production at its Kareliyan Segezhabumprom paper plant, *Kommersant-Daily* reported 16 July. Karelian Prime Minister Viktor Stepanov had issued an ultimatum to AssiDoman, which owns a controlling interest in the plant, that if production did not resume by 16 July, the government would start the process of declaring the plant bankrupt. AssiDoman idled the plant in March citing the slow movement of the Russian side in restructuring the plant's debt and providing materials. The plant owes a total of \$25 million. The AssiDoman's president's initial response was that if the authorities continued to speak to him in such a manner, he would be forced to end the company's participation in the project. However, the Karelian government, which does not have the funds required to modernize the plant to make it competitive, seems to have won this round. - Robert Orttung

INVESTORS EXAMINE CHELYABINSK METALS PLANT. A group of investment managers for the UK's ABC International, Switzerland's Paribus Bank, the US's Chase Manhattan, and Germany's Dresdener Bank visited Chelyabinsk Oblast 10 July to investigate the possibility of investing in the Chelyabinsk Metallurgical Combine, one of Russia's largest producers of ferrous metals. It employs 30,000 workers and supports 150,000 of their family members. Switzerland's Glencore International owns 37% of the combine's stock, but does not have enough resources to make the capital investments necessary (Radio Rossii 11 July). Recently elected Chelyabinsk Governor Petr Sumin, a moderate Communist, said he was prepared to cooperate and mentioned that the oblast was preparing legislation to protect domestic and foreign investment. Sumin also said that he could provide benefits for long-term investments, but those would have to take into account all of the area's problems and increase production. In March the federal tax police seized some of the property of the Combine because of its huge tax and pension fund arrears. - Robert Orttung

RAILROADS LOOK TO REGIONS FOR HELP. Russia's railroads carry 78% of all freight in the country and 40% of all passengers, according to *Finansovie izvestiya* on 15 July. However, the system is heavily in debt and now is looking to dump some of its largest liabilities on the regions. The Railroads and Communications Ministry plans to transfer all its housing

obligations on the regions, a move that could allow it to cut freight charges as much as 6%. This transfer could create problems for thousands of people since the local governments do not have the resources to support the housing. The ministry also plans to hand the regions control over local lines with little traffic. These routes are extremely expensive to maintain but in many cases are the only link between the regions and the rest of the country.

The ministry is also considering a plan to combine many of the currently independent regional railroads. Saratov Governor Dmitrii Ayatskov wants to subordinate Samara's Kuibyshev Railroad to the Privolzhskaya Railroad in Saratov. If he is successful, Samara will lose financial control of its railroad and tax revenues now going to Samara will go instead to Saratov. Samara Governor Konstantin Titov is fighting Ayatskov's proposal, *Samarskoe obazrenie* reported 13 July. - Robert Orttung

BORDER ISSUES

FINNS REJECT JOINT BORDER PATROLS. During his meeting with President of Finland Marti Akhtisaari while on vacation in Kareliya, President Yeltsin proposed that the two sides save money by jointly patrolling their mutual border, *Izvestiya* reported 15 July. Russia's border with Finland has more than the usual significance because it is also the border with the European Union. The Finnish president rejected the offer. Although they maintain friendly relations with the Russians, the Finns have strict border controls, fearing possible disorders in Russia that could lead some civilians or military to try to enter Finnish territory. The Finns are also concerned that continued economic difficulties will encourage some to head west in search of work.

However, the Finns are interested in a second Yeltsin proposal. He suggested building joint tourist centers on some of Russia's islands in the eastern part of the Bay of Finland. The islands used to belong to Finland, but Russia gained control of them in 1944. - Robert Orttung

REGIONAL PROFILE: REPUBLIC OF UDMURTIYA

Chairman of the State Council: Aleksandr Volkov

Educated as an engineer, Aleksandr Volkov was elected chairman of the *ispolkom* (executive committee) of Galazov, Udmurtiya in 1986, and three years later was promoted to first deputy chairman of the republic's Planning Committee (*Gosplan*). A year later, he became the republic's deputy prime minister responsible for construction and architecture. In June 1993, Volkov won election as head of the republican government. Udmurtiya is one of the few Russian regions with a parliamentary rather than a presidential system.

Though generally loyal to federal authorities and President Boris Yeltsin personally, in September 1993 he opposed Yeltsin's decision to close down the federal parliament. In 1994, Volkov repeatedly criticized the economic policies of the federal government, advocating the introduction of fixed prices for fuel and the resumption of a state order for military industry enterprises, which make up a quarter of republican industry and whose dire situation hurt the republican economy. Volkov's opposition to Moscow's policies forced the republican

parliament to considerably limit his powers; it also resulted in his conflict with the directors of several republican enterprises.

In 1996, the State Council, at Volkov's urging, tried to disband local government institutions and sack popularly elected local administrators, replacing them with his own appointees. The Russian Constitutional Court ruled the action illegal and ordered Volkov to reinstate all local bodies.

Other Local Leaders

Prime Minister -- Pavel Vershinin

Brief Overview

The republic is located to the west of the Urals Mountains and shares borders with Kirov and Perm oblasts, Tatarstan and Bashkortostan. According to the 1989 census, Russians make up a majority of the republic's population, 56%, followed by Udmurts (34%) and Tatars (about 10%). Over half of the Udmurts do not speak their native language.

The republic is rich with oil, peat, and clays, while annual oil and gas extraction reaches 10 million tons and 60 million cubic meters, respectively. Since the 17th century, Udmurtiya has developed a unique industrial complex which produces all kinds of weapons, including SS-20 and SS-25 missiles and Kalashnikov machine guns. In the beginning of 1990s, military industry, which makes up a quarter of the republic's industrial complex, produced about 80% of its GDP. With the defense industry now in decline, the republic is suffering severe economic difficulties. Other industries include oil extraction and processing, ferrous metallurgy, machine construction, and chemicals. The republic is now seeking foreign investment with its rich mineral resources, well developed industry, and highly trained personnel. Udmurtiya places a priority on investing in the oil industry, exporting machines, and converting military plants to high-tech civilian pursuits.

Basic Facts

1995 Population (est.): 1,640,700 (1.11% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 0.86%

Agricultural production as percentage of all Russian production (1994): 1.32%

Average personal income index in July 1995: 72 (Russia as a whole = 100)

Price basket index in July 1995: 87 (Russia = 100)

Average back wages owed per person (September 1995): 53,400 rubles (Russian average = 37,100)

Urban population: 69.9% (Russia overall: 73.0%)

Student population (1993): 145 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 21.96%

Percent of population with higher education (1989 census): 9.2% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 37.4% (Russian average: 29.9%);

Agriculture: 14.2% (12.8%); Trade: 8.2% (9.1%); Culture: 12.1% (13.6%); Management: 1.8% (2.3%)

Number of telephones per 100 families (1993): in cities : 42.9 (Russian average: 41.5); in villages: 22.3 (17.2)

According to a 1995 survey by Bank Austria, the republic is ranked 34th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 36.81%/52.83% (first round/second round)

Zyuganov: 30.47%/40.73%

Lebed: 11.52%

Yavlinskii: 9.23%

Zhirinovskiy: 5.99%

Turnout: 64.12%/64.27% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 14.92%

Liberal Democratic Party of Russia: 9.51%

Women of Russia: 8.46%

Communists -- Workers' Russia: 8.42%

Agrarian Party of Russia: 7.54%

Our Home Is Russia: 6.37%

Congress of Russian Communities: 5.89%

Yabloko: 4.38%

Russia's Democratic Choice: 3.77%

Party of Workers' Self- Government: 2.91%

In single-member districts: 2 independent

Turnout: 57.64% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 55.77%

"No" -- 44.23%

1993 Parliamentary Elections

Liberal Democratic Party of Russia: 17.59%

Russia's Choice: 16.19%

Women of Russia: 14.70%

Communist Party of the Russian Federation: 11.14%

Agrarian Party of Russia: 11.07%

Yabloko: 8.18%

Party of Russian Unity and Concord: 7.00%

Democratic Party of Russia: 5.34%

In single-mandate districts: 2 independent

From electoral associations: 1 Liberal Democratic Party of Russia, 1 Women of Russia

Turnout: 44.23% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 51.87%

Ryzhkov: 17.39%

Tuleev: 9.79%

Bakatin: 7.69%

Zhirinovskiy: 4.24%

Makashov: 3.13%

Turnout: 74.39% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95* [Russian regions on the eve of 1995 elections], Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam* [Results of the 17 December 1995 elections, regional breakdown], Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995* [State Duma elections 1995], Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii* [Governors of Russia], Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.

Compiled by Anna Paretskaya

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TABLE OF CONTENTS

Breaking News

A survey of key events in Russia's Regions

Special Research Report

Center-Periphery Relations: A Powerful Factor in Shaping Russia's Future

By Vladimir Shlapentokh

Patterns of Regional Development

St. Petersburg Privatization Chief Assassinated

Govorin Replaces Nozhikov as Irkutsk Governor

Dagestan's Prime-Minister Dismissed

Center-Periphery Relations

Lavrov: There Are 32 Donor Regions

Yeltsin Annuls Komi Decree

Samara Signs Power-Sharing Treaty

Yeltsin Reduces Sakha's Privileges in Diamond Exports

Abdulatipov Appointed Deputy Prime Minister

Economic Issues

Oil Production Up

Regions Irrationally Block Grain Sales

Automobile Production Increases in Some Regions

Tatarstan Seeks Vertically Integrated Oil Industry

Business Briefs

A Weekly Summary of Key Deals in the Regions

Regional Links

St. Petersburg Elections

Boris Nemtsov's *Provincial*

Regional Profile: Sverdlovsk Oblast

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ACE - Analysis of Current Events

BREAKING NEWS

21 July

-- President Boris Yeltsin set up a **COMMISSION ON THE SOCIAL AND ECONOMIC PROBLEMS OF COAL PRODUCING REGIONS**. It is led by First Deputy Prime Minister Anatolii Chubais and includes Governor Yevgenii Nazdratenko (Primorskii Krai), First Deputy Governor A. Okatov (Komi), Mayor Segal (Vorkuta), Governor Vasilii Starodubstev (Tula) and Governor Aman Tuleev (Kemerovo). (*Rossiiskaya gazeta*, 12 August)

11 August

-- **VLADIVOSTOK'S** trash collectors finished removing the 30,000 tons of trash that accumulated during their July strike. The workers returned to their duties after receiving a one-time transfer of 9.5 billion rubles from the Primorskii Krai administration. Negotiations are ongoing to sign an agreement with Mayor Viktor Cherepkov and pay all back debts. (*Segodnya*, 12 August)

12 August

-- **PRIMORSKII KRAI** Governor Yevgenii Nazdratenko revealed that his income for 1996, gained solely from his salary as governor, was 73,702,128 rubles (\$12,700). He owns a piece of land outside Vladivostok and an apartment in the city with a declared value of 297,245,023 rubles (\$51,000), though that is probably low. In late July, **TATARSTAN** President Mintimer Shaimiev said that his income for 1996 was 90.4 million rubles (\$15,600) and that his apartment was worth 611.4 million rubles (\$105,000). (*Kommersant-Daily*, 25 July, 13 August)

14 August

-- Police arrested former **ST. PETERSBURG** Mayor Anatolii Sobchak's chief of staff, Viktor Kruchinin, for allegedly taking a bribe in exchange for the illegal distribution of apartments. On 21 July, police arrested Larisa Kharchenko, another former Sobchak aide involved with housing issues, also for taking bribes. (*Kommersant-Daily*, 22 July, *Segodnya*, 13 and 15 August)

SPECIAL RESEARCH REPORT

CENTER-PERIPHERY RELATIONS: A POWERFUL FACTOR IN SHAPING RUSSIA'S FUTURE

by Vladimir Shlapentokh, Professor of Sociology at Michigan State University

In the next few decades, relations between the center and the regions will be among the most important political, economic, and social issues in Russia as well as in numerous other countries. The sheer number of actors involved in these relations (for example, there are over one hundred regional units participating) is daunting and they differ strongly from each other in dozens of crucial aspects. Among these actors are the regional elite, central dominant elite, opposition elite, the masses, intellectuals, neighboring foreign countries, international organizations, and international companies. Such diversity in the number of Russian actors illustrates just how complicated these relations are and how difficult it is to predict their outcome.

However, it is evident that Russia, as a centuries-old geopolitical power, will become very different over the next few decades. The "old" Russia, spanning from the Baltic Sea to the Pacific Ocean, could exist as a unitarian state only on the basis of authoritarian or totalitarian rule, combined with a strong patriotic and nationalistic ideology. In the new world, Russia, with its market economy and democratic institutions, is destined to change as a nation-state.

Among the most important factors that will influence the creation of a new Russian nation-state are these:

- The country's size and high transportation costs in a "common economic space."
- The gravitation of some of Russia's regions to stronger foreign countries for economic ties rather than to other Russian regions.
- The strong, growing ethnic and cultural antagonism between Russian and non-Russian regions.
- The strong separatist sentiments in several republics, such as Chechnya, Tatarstan, and a few others.
- The extraordinarily large cultural, economic, and social differences among Russian regions.
- The lack of a stable political system able to create a consensus on major values.
- Moscow's loss of prestige as the unifying center of the country.
- The lack of the threat of foreign invasion.
- The lack of a strong national idea able to cement the Russian nation.

All these factors lead one to suppose that Russia will never again, at least in the foreseeable future, be as centralized as it has been for almost five centuries. However, these factors in no way suggest that Russia will completely disintegrate or even that its territories far removed from Moscow will secede, creating their own states.

There are a number of reasons why the disintegration of Russia as a nation-state is unlikely. Among them are (1) the hostility to Russian culture in the countries bordering Russia in the south and Far East, (2) the threat that foreign bodies in the Far East and south will expand their influence and perhaps even annex some Russian territories, (3) the common cultural and

lingual heritage of Russians living in the most remote regions with the rest of the Russian population, and (4) the interest of most regions in the maintenance of a greater nation-state for political, economic, and social reasons.

The combination of centrifugal and centripetal forces will most likely push Russia to shed the unstable semi-unitarian and semi-federal state that was dominant between 1991 and 1995 and adopt some sort of confederation with high provincial autonomy. As has been historically true, in the future there will also be an oscillation in relative power between the center and the periphery, depending on various internal and external circumstances.

Several other scenarios can also be envisaged. For a while, Russia might again become a strong, centralized state. However, it is also possible that it could become a very loose confederation that would still contain most of its regions, much as the Holy Roman Empire did.

Speculation about Russia's future has to be placed in the context of worldwide trends in the relationship between the center and the periphery. Some authors have predicted that the existing trend toward regionalization, coupled with the trend toward the independence of even small ethnic groups, will lead toward the disintegration of the world's leading countries. The United States, Canada, and Brazil in the Americas; China, India, Afghanistan, and the Philippines in Asia; Russia in both Europe and Asia; Spain, France, Belgium, Norway, and Sweden in Europe; and Australia will either lose large sections of their territories or will be replaced by a number of new, smaller states.

Other authors speak of the end of an era of universalism and the beginning of a period of fragmentation or Balkanization in the world. The demise of communism, one of the most universalist ideologies in the history of mankind, has significantly contributed to the global trend of fragmentation in the territory of the former Soviet Union and Yugoslavia.

This article draws on the book *From Submission to Rebellion: The Provinces Versus the Center in Russia* (Boulder, CO: Westview Press) by Vladimir Shlapentokh, Roman Levita, and Mikhail Loiberg.

PATTERNS OF REGIONAL DEVELOPMENT

ST. PETERSBURG PRIVATIZATION CHIEF ASSASSINATED. Assassins murdered Mikhail Manevich, St. Petersburg's privatization chief, in what appears to be a contract killing on the morning of August 18, *Kommersant Daily* reported the next day. A sniper on a nearby rooftop strafed his moving car with eight bullets, three of which hit Manevich. He died on the way to the hospital. His wife, also in the car, was slightly wounded. The assassination was carried out in an extremely professional manner, probably by former members of the Russian military, according to crime experts quoted by *Segodnya* (19 August) and *Nezavisimaya gazeta* (20 August). St. Petersburg Governor Vladimir Yakovlev interrupted his vacation and returned to the city where he has met with officials from the procuracy and security service to discuss the murder. Reportedly, Manevich was supposed to meet First Deputy Prime Minister Anatolii Chubais in Moscow later that evening.

Mikhail Manevich, 36, was a powerful municipal official--the Chairman of the City Property Committee (KUGI) since 1994, and vice-governor of St. Petersburg since 1996

(*Kommersant Daily*, 19 August). Having taken courses in finance and economics from Chubais, then a local university instructor, he joined Chubais' team of economic reformers in 1990, and has been considered one of "Chubais's men" since. When Yakovlev was elected Governor and brought in his own team, Manevich was one of the few officials who remained on the staff after Mayor Sobchak's departure. He has served as Yakovlev's right hand man for privatization during the year Yakovlev has held the city's top office. Yakovlev called Manevich "a professional, one of those who stood at the roots of privatization, and was not only a theoretician, but also a practitioner."

As chairman of KUGI, Manevich supervised everything pertaining to real estate, land, rents, mortgages, and other privatization issues. Recently, his committee supervised the implementation of the city's housing reform plan and drafted a law on private investments in real estate. Housing reform has been extremely unpopular since it has dramatically raised the rents most people have to pay. *Kommersant Daily* noted that one of Manevich's priorities was to stop the practice in which entrepreneurs paid artificially low rent rates for city property, forcing them to pay market prices instead.

The proposed explanations for Manevich's murder all relate directly to his Committee's activities. Making a direct link is difficult, however, since there are no obvious reasons for the murder. St. Petersburg's privatization has been going smoothly, and no major shake-ups were anticipated. The only property dispute in the works is the division of the leftovers of the bankrupt Baltic Maritime Shipping company. However, *Segodnya* speculated that Manevich's death is most likely connected to the upcoming redistribution of property of several large St. Petersburg enterprises. Incidentally, the same redistribution of property is tied to the murder three weeks ago of Yevgenii Khokhlov, director of the Leningrad River Port, a part of the North-Western River Shipping company. *Kommersant Daily* speculated that because KUGI sided with North-Western in a recent legal dispute, Manevich became an obstacle to the losers in the dispute. Yevgenii Zubarev, General Director of North-Western said: "this might have been about some unlucky bidder--whose desired property was given--or promised--to someone else" (*Moscow Times*, 19 August). Zubarev claimed that Manevich had nothing to do with North-Western.

Another possibility considered by *Kommersant Daily* tied Manevich to one of the city's organized crime groups--the "Tambov clan". According to rumors and undocumented police sources, Manevich was connected to the head of the Tambov group, Aleksandr Efimov, who was recently arrested by the federal law-enforcement authorities in Stavropol Krai. The murder might have been connected to several legal disputes over real estate, in which Manevich sided with the "wrong" people.

In contrast to the rumors about Manevich's possible criminal connections, Gov. Yakovlev described the murdered official as an "extremely honest person." Echoing him, St. Petersburg State Duma deputy Galina Staravoitova said that it was his honesty that probably killed him: he would not take bribes himself, nor would he allow his subordinates to do so, she claimed. Former St. Petersburg Mayor Anatolii Sobchak, who lost a bitter election to Yakovlev last year, said that the murder testifies to the fact that criminal elements feel "very cozy" in the city these days (*Kommersant Daily*, 19 August). Sobchak alleged that shortly before his murder, Manevich complained that it was getting increasingly difficult to work within

legal boundaries, that he felt considerable pressure, but, being an honest person, could not break the law.- Natan Shklyar

GOVORIN REPLACES NOZHIKOV AS IRKUTSK GOVERNOR. Irkutsk Mayor Boris Govorin defeated seven other candidates to win the 29 July gubernatorial elections. He took just over 50% of the vote with 43% turnout, a strong showing that demonstrated a popular mandate (<http://www.vsp.ru/vybor97/index.htm>). The nearest competitor, Communist Party of the Russian Federation Obkom Secretary Sergei Levchenko, gained about 19% of the vote.

The battle in Irkutsk had considerably high stakes since the oblast is home to the rich Sukhoi Log gold deposit, vast energy resources, and productive aluminum smelting plants. Irkutskenergo is the only regional power company that is not subordinate to the Russian monopolist Unified Energy Systems (EES). Local control means that Irkutsk's factories can count on cheap energy, but Moscow hopes to bring Irkutskenergo under EES control.

The former governor, Yuri Nozhikov, unexpectedly resigned on 21 April, opening the way for new elections. Nozhikov was the first governor to resign, and did so despite the fact that his approval rating stood at 70%. He had run into trouble with the federal government after calling and then quickly abandoning an effort to get Irkutsk to withhold its taxes. According to *Itogi* (23 July 1997), Nozhikov could not get an appointment with the new first deputy prime ministers, Anatolii Chubais and Boris Nemtsov, when they joined the government in March.

Govorin, 50, was elected mayor of Irkutsk on 27 March 1994 in an election in which he won 78% of the vote. Since that time he has also been a member of the oblast's Legislative Assembly. Despite the presidential administrations attempts to declare Govorin's victory a success for the Kremlin (See *Rossiiskaya gazeta*, 1 August), Govorin has distanced himself from the pro-governmental Our Home is Russia party and relied on his own personal charisma for victory. His campaign strove to make clear that he would not be a local Chubais. Yevgenii Bogachev, the chairman of the oblast's Legislative Assembly, described him as someone who will place economic over political concerns and work effectively with Moscow (*Vostochno-Sibirskaya pravda*, #26, <http://www.irk.ru/vsp/index.htm>). During the campaign he had Nozhikov's support. He also could point to his accomplishments in office: introducing new bus routes, building a hospital for veterans, and a new building for the central market. Despite these achievements, however, the roads are still in poor shape and few new buildings have been built lately.

Govorin's first priority is to reduce the number of bureaucrats working in the oblast government and to bring in fresh blood to address the problems that Nozhikov believed were too complex for him to handle. Having set his own administration in order, Govorin plans to focus on increasing the number of jobs in the oblast.

Govorin has also described the need to pay back wages and pensions as a "main problem." The city of Irkutsk has been able to pay its teachers, while neighboring Bratsk has not. Mayor Govorin accomplished this feat by taking a credit from the city's aviation plant. Earlier, he had granted the factory tax credits so that it could stay afloat and it has since won several large contracts, providing the means to help out the city budget (*Vostochno-Sibirskaya pravda*, # 18). Govorin has also stressed the need to ensure that the oblast has strong local government, a position that is understandable for a mayor. As governor, however, he may

choose to follow the path of other regional leaders who take strong measures to limit the powers of local elected officials.

During the campaign, Govorin made statements that may call into question his pro-market orientation. Speaking to a group of workers at Irkutsk Cable, a firm that has been bought by Moscow investors and since lost half of its work force, he said that it might become necessary to "deprivatize" the plant to "remove an owner who throws people on the street." (*Vostochno-Sibirskaya pravda*, #22) He also suggested that the oblast government could order products from the plant to keep it working.

Govorin's victory also seems to have consequences for the battle over the rights to develop the Sukhoi Log deposit, which is thought to contain 1100 tons of valuable metals, but requires a \$2 billion investment to extract them. *Kommersant-Daily* reported 1 August that Australia's Star Technologies had backed Govorin in the elections. Nozhikov had good relations with the investor and Star obviously hopes that Govorin would continue them. Star has held the rights to develop the field since 1992, but lacked the money necessary to do so. In April the Supreme Arbitration Court declared Star's stake had been gained improperly. In June, the Irkutsk authorities gained control of the deposit and announced plans to sell a 49% stake to an investor. While the oblast authorities may sell the stake to Star, the upcoming offer has opened the door to other potential investors.

Another competitor interested in developing the site is Canada's Barrick Gold, which, according to the paper, backed candidate Ivan Shchadov in the recent elections. Barrick Gold's representatives, however, said that the firm did not get involved in the campaign, Ekho Moskvy reported 7 August. The radio noted that since the Canadian firm is the main competitor for the rights to develop the site, it has become the object of attacks in the press. - Robert Ortung

DAGESTAN'S PRIME-MINISTER DISMISSED

by Eduard Urazaev and Nabi Abdullaev, *Novoe Delo* [Dagestan]

MAKHACHKALA - Dagestan's State Council (the republic's 14-member collective executive) dismissed Prime Minister Abdurazak Mirzabekov at a closed 20 August meeting. He had served in that position for ten years. Unofficial sources report that the vote was 11-2 in favor of relieving Mirzabekov of his duties. (Mirzabekov is the 14th member.)

On 21 August, Chairman of the State Council Magomedali Magomedov discussed the decision with the media. His explanations hardly constituted serious grounds for such a drastic step, especially when he cited such reasons as Mirzabekov's "conceited" attitude, his disregard for certain directives of the State Council, and difficulties in making an appointment with him, etc.

It seems that the authorities feared an open discussion, which could have led to a series of mutual exposes and accusations, involving many interest groups, and leading ultimately to open conflict.

The next step in the power struggle is the confirmation of a new prime-minister. The State Council has appointed Khizri Shikhsaidov, who until recently was the Chair of Dagestan's Audit Chamber and headed the "Dagvino" corporation, as acting head of government. The

Popular Assembly (Dagestan's parliament) must now decide whether to approve the Shikhsaidov as the new prime-minister.

It is doubtful that Mirzabekov was dismissed for political reasons. He does not head any political party or movement, nor does he participate in the national movements. Together with Chairman of the State Council Magomedali Magomedov and Chairman of the Popular Assembly Mukhu Aliev, he leads the Dagestani branch of the Our Home is Russia movement, a pure formality in Dagestani politics.

Until now Mirzabekov has been immune to criticism. Even the accusations made by Chairman of the Makhachkala City Council M. Makhmudgadzhiyev during the May session of the Popular Assembly that all federal budgetary funds are directed through Union-Bank, which is owned by Mirzabekov's son, had no resonance. Moreover, after the completion of the Kizlyar part of the Kizlyar-Karlanyurt railroad, which connected the main towns of Dagestan with Russia skirting Chechnya, Mirzabekov's position was only strengthened, since he played an active part in the project.

A possible reason for the State Council's decision could have been the disagreement between Mirzabekov and Chairman of the State Council Magomedov, which took place in Moscow after the Russian Federation's cabinet meeting in the end of July to discuss the situation in Dagestan. Dagestan's leadership was able to obtain a five year credit of 853 trillion rubles (\$147 million) at that meeting, albeit with great difficulty. Russia's Prime Minister Victor Chernomyrdin insisted on spelling out in the credit agreement that the funds would be spent exclusively on concrete projects after the Dagestani authorities had presented the Russian cabinet a detailed action program. Observers from *Nezavisimaya Gazeta* remarked that when that decision was announced, "the Dagestani leaders did not betray a hint of happiness." Later on, Magomedov told the media, at a dinner with the rest of the republic's leadership, Mirzabekov became enraged when some critical remarks were made against him and a sharp exchange followed, after which Dagestan's prime-minister disappeared from the proceedings for two days.

There are now likely to be serious personnel changes within the government. Economic managers of the old style who came from the state planning nomenclatura like Mirzabekov will slowly be replaced with "new" people, coming to the government from business or from the recent wave of national movements. For example, the head of the Laksi national movement Magomed Khachilaev was recently appointed First Deputy Minister of Agriculture, in line to replace the current minister, Aygun Khalidov, due to retire in the fall. Khachilaev's old job of Chairman of the government's Committee on Fishing, has been given to the leader of the Charodin ethnic group, Esenbolat Magomedov. Many more changes are ahead.

CENTER-PERIPHERY RELATIONS

LAVROV: THERE ARE 32 DONOR REGIONS. There are 32 "donor" regions rather than the usually assumed 10, according to Aleksandr Lavrov, an advisor to the presidential administration's territorial department, writing in *Rossiiskie vesti* on 6 August. The regions themselves do not pay or receive money to or from the federal budget. Rather, individuals and enterprises located within one or another region make these contributions and receive the

benefits. To arrive at his conclusion, Lavrov determined the amount of money the federal government collected in each region by summing the taxes and customs duties collected within each territory. The latter figure can be approximated by dividing the overall amount of customs fees collected across Russia by each region's share in foreign trade. The federal government's contribution to the regions is determined by money transferred from the federal budget to the regions and the direct expenditures of federal ministries and departments in the regions. These 32 donor regions account for 61% of the population and are responsible for 80% of the federal budget revenue. Lavrov argues that the concern among the regions with the number of donor regions is "an infantile disorder of Russian federalism" and reflects unsettled federal relations, a desire by some regions to gain a special relationship with the center, and a confused and unjust budget system. - Robert Ortung

YELTSIN ANNULS KOMI DECREE. On 7 August Yeltsin issued a decree annulling the decree of Komi President Yuriy Spiridonov setting up the non-commercial organization Northern Resources, which had the power to collect taxes in Komi (*Rossiiskaya gazeta*, 13 August). The Komi decree allowed Northern Resources to collect taxes through in-kind payments of goods or raw materials. According to *Segodnya's* First Deputy Editor Mikhail Berger, the non-commercial organization was just another attempt by a regional leader to use financial resources through non-budgetary means (*Moscow Times*, 12 August). Regional leaders often divert money from the local budget intended for teachers and doctors to other project they deem more important. Berger notes that everyone considers it a success if Moscow then sends money to the teachers and doctors. - Robert Ortung

SAMARA SIGNS POWER-SHARING TREATY. During his summer vacation in Samara Oblast, President Boris Yeltsin signed a power-sharing treaty with Samara Governor Konstantin Titov. The treaty is the 32nd to date that the federal government has signed with various regions. The Samara accord include 13 supplemental protocols governing a variety of political and economic dimensions in the relationship between Samara and Moscow, including investment and bank policies. Prime Minister Viktor Chernomyrdin had initialed a preliminary version of the draft in November 1996, but it has taken since then to work out the details of the agreement. The major dispute in signing the treaty was a battle between some in Moscow and the Samara authorities about transferring ownership rights of some local factories from the federal government to the regional authorities (*Samarskoe Obozrenie*, 4 August).

Titov said that he was opposed to the signing of such treaties in principle, but went ahead with it in the hopes of ensuring good relations with Moscow. He believes that donor regions should gain greater rights and benefits than recipient regions. Signing the treaty is the culmination of Samara's three-year effort to extract greater contributions from Moscow. With the support of the now former head of the State Property Committee, Alfred Kokh, Samara was able to achieve a highly advantageous outcome in the transfer of property from federal to regional ownership, *Samarskoe obozrenie* reported. The paper claimed that Samara's rights vis-a-vis the center are on the same level as those held by the republics of Tatarstan and Sakha. The agreements also pay attention to the problem of resolving disagreements between local and

federal legislation, with a commitment by the center to respect Samara's laws. Disputes over conflicting legislation continue to be a major problem in center-periphery relations.

The agreement also allows the oblast to introduce an experimental single tax on land, an initiative that could serve as an impetus for stimulating land reform in the rest of the country (*Delo* [Samara], 19 August). - Robert Orttung

YELTSIN REDUCES SAKHA'S PRIVILEGES IN DIAMOND EXPORTS. Yeltsin signed a long-awaited decree on 20 July that paves the way for the diamond company Almazy Rossii-Sakha (Alrosa) to conclude a new agreement for exporting diamonds with the South African firm De Beers and reduces the republic of Sakha's ability to benefit from such sales. Russia produces 26% of the world's diamonds, and the Sakha diamond monopoly Alrosa produces 99% of Russia's diamonds. Until 1997 the Russian government has received essentially nothing from the export of diamonds, while Sakha had the right to buy 20% of the diamonds produced on its territory at production cost, about 40% of world prices (*Nezavisimaya gazeta*, 24 July). Sakha made a considerable amount of money reselling these precious stones. The decree ends this practice, granting Sakha only the right to buy as many diamonds as the president lets it and at prices set by the federal government (*Segodnya*, 23 July).

For most of this year, Yeltsin has held up the ability of Alrosa to sell diamonds, considerably damaging the economy of Sakha, in an attempt to get the republic to pay more money into federal coffers. In early July, Sakha President Mikhail Nikolaev finally gave in, saying that Sakha would pay taxes like other regions. This concession came in an agreement he signed with First Deputy Prime Minister Anatolii Chubais (See *Kommersant* [weekly] 29 July and *Rossiiskaya gazeta*, 15 August). - Robert Orttung

ABDULATIPOV APPOINTED DEPUTY PRIME MINISTER. President Yeltsin appointed Duma Member Ramazan Abdulatipov deputy prime minister covering the issues of ethnic relations, federal state-building, and regional issues on 1 August, *Nezavisimaya gazeta* reported the next day. Although Abdulatipov and the president have clashed in the past, Yeltsin said that Abdulatipov has been supportive of his policies in recent years. Abdulatipov has a daunting task as newly elected governors push Moscow for more powers and renewed violence is flaring in the conflict between Ingushetiya and North Osetiya. None of his predecessors have been able to cope with the problems. As Abdulatipov told Russian Public Television's *Vremya* on 1 August "to this day there has been no federal nationalities policy."

Abdulatipov, 51, is the only national minority represented in the upper echelons of the executive branch today and observers say that his career background prepares him for his new job. An ethnic Avar, Abdulatipov was born in a village in Dagestan's mountains. He has an undergraduate degree in medicine and graduate degrees in history and philosophy. After a brief career as a medical administrator in Dagestan, he worked his way up the ranks first in the Komsomol and then in the Dagestani branch of the Communist Party. He also taught philosophy in several universities, and is a full member of Russia's Academy of Natural Sciences.

In 1988 Abdulatipov joined the Central Committee of the Communist Party to work in the ethnic relations department. In 1990 he was elected a deputy of the Russian parliament from a district in Dagestan. From 1990 to 1993 he chaired the Chamber of Nationalities of the Russian parliament, where he was often in opposition to Yeltsin, but later migrated toward the center. In the 1991 Russian presidential elections, he ran for Vice President on a ticket with former USSR Minister of Internal Affairs Vadim Bakatin. Abdulatipov actively participated in the drafting of the Federal Treaty and its inclusion in the new Russian Constitution.

During the numerous conflicts between Yeltsin and the parliament, he usually took a cautious, compromising position. However, he denounced Yeltsin's dissolution of the parliament in 1993. After the parliament's resistance was suppressed, he was appointed deputy chairman of the Committee for Federal Affairs. In 1993 he was elected to the Federation Council from Dagestan, and in 1995, to the State Duma as an independent candidate. In the Duma, he joined the "Russian Regions" faction and has served on Duma's Committee on Federal Affairs and Regional Policy and co-chaired the commission working to release prisoners of war in Chechnya. In 1994, he was Deputy Minister for nationality affairs and regional policy.

On nationality questions, Abdulatipov supports the integrity of the Russian federation and has spoken out against ethnic secessionist movements (*Rossiiskaya gazeta*, 8 August). However, he supports broader autonomy for national minorities. He believes that ethnic conflicts often result from the weakening of the lawful authorities, whose functions are taken over by civic organizations. However, he also warns the federal government not to neglect the regions' interests, especially in budgetary allocations. As he explained on *Vremya*, "Inter-ethnic conflict does not exist. There exists a clearly political conflict, when regional authorities cannot get along with the federal authorities." He has criticized the creation of parallel authoritative institutions by such groups as the Confederation of Caucasus Mountain Peoples and Cossack groups. - Natan Shklyar

ECONOMIC ISSUES

OIL PRODUCTION UP. The output of oil increased in Russia for the first time in a decade during the first half of 1997, *Finansovye izvestiya* reported 12 August. However, high taxes and a lack of investment capital are preventing the stabilization of the industry. And, the paper reports, it is still too early to speak of long-term growth.

Overall production increased in 14 of Russia's 27 oil-producing regions. Vostochnaya neftyanaya kompaniya, KomiTEK, LUKoil, Rosneft, Surgutneftegaz, and Yukos stabilized or increased production, while Tatneft and Bashneft, which have well-exploited fields, saw output fall. Slavneft and Sibneft blamed their declining output on a lack of investment. Overall investment in the oil sector dropped 15% from the same period last year. - Robert Ortung

REGIONS IRRATIONALLY BLOCK GRAIN SALES. Despite the fact that Russia is expecting a bumper harvest this year, regions such as Krasnodar, Stavropol, and Saratov are limiting exports of grain beyond their borders. Krasnodar has also announced that it will buy up grain at prices that exceed world levels, *Ekspert* (<http://www.expert.ru/>) reported 18 August.

Observers say that this policy could backfire. The high price of the grain combined with the costs to store and transport it will make it uncompetitive on world markets. World-wide production of grain is high this year, so prices are relatively low. Many buyers will thus avoid the Russian market. - Robert Orttung

AUTOMOBILE PRODUCTION INCREASES IN SOME REGIONS. Automobile production jumped 12.9% between January and July this year in comparison with the same period in 1996, *Kommersant-Daily* reported 16 August. The traditional car manufacturing regions of Samara and Nizhnii Novgorod showed the least growth. Production at Samara's AvtoVAZ, which produces 70% of Russia's light automobiles, rose 8.8%, while production at GAZ grew just 1%. Some observers suggest that the spurt at AvtoVAZ may be too late to save the company. On 2 August the firm gave the government a controlling packet of stock as collateral against its \$500 million tax debt. Making the monthly payments to wipe out the debt will reduce AvtoVAZ's ability to invest in modernization schemes.

The main growth came in Ulyanovsk Oblast (63.7%) and Moscow (250%). Both the Ulyanovsk Automobile Factory (UAZ) and Moscow's Moskvich were essentially idle last year, so the recent spurt marks a minor resurrection of the old capacity, rather than new growth. - Robert Orttung

TATARSTAN SEEKS VERTICALLY INTEGRATED OIL INDUSTRY. Tatarstan President Mintimer Shaimiev approved the construction of an oil processing plant in Nizhnekamsk that will allow the republic to become independent of outside refineries. The republic's oil company Tatneft lost its ties to its refineries when the USSR split apart. As a result the oil producing republic often faces a shortage of gasoline. The US's ABB Lummus Global will provide a \$115 million credit to build the plant and Tatneft will kick in another \$60 million. The republic has been discussing ways to build the capacity to carry out all the steps in the oil producing process (from taking the oil out of the ground to selling finished products) for the last five years (*Kommersant-Daily*, 8 August). The lack of its own refineries meant that Tatneft had to sell its raw material output to others for processing. - Robert Orttung

BUSINESS BRIEFS

-- The American firm **PIERRE SMIRNOFF** has begun producing its vodka at **ST. PETERSBURG'S** Liviz plant despite the fact that on-going battles over the rights to the name have yet to be resolved. (*Kommersant-Daily*, 24 July)

-- The US firm **ICN PHARMACEUTICALS** currently controls 5% of the Russian market and hopes to eventually grab a 10% market share. The firm has a strategy of not only selling its products on the market, but also buying up local producers, retraining their personnel, and making products that have strong local demand. Last year, ICN bought controlling interests in **ST. PETERSBURG'S** October factory, **KURSK'S** Leksredstva and **CHELYABINSK'S** Polifarm. The regions where these firms are located do not charge tax on the money ICN invests.

-- Having built an assembly plant in Belarus, **FORD MOTOR COMPANY** is holding secret negotiations about setting up a factory in Russia. (*Finansovye izvestiya*, 5 August) The company is negotiating with **UDMURTIYA'S** Izmash, according to *Segodnya*, 29 July. Regional leaders are trying to attract the manufacturer with a 49-year lease of the ground under the factory and holidays from republican and local taxes. Leningrad officials are also interested in the American car-makers (see below).

-- **TOYOTA** is considering assembling its cars at the Tushino Machine Building Plant in **MOSCOW**. The Japanese company is considering building 3-4,000 minibuses a year. These vehicles are currently in high demand among small and medium-sized Japanese businesses. (*Izvestiya*, 8 August)

-- **ST. PETERSBURG** signed a contract with the Italian construction firm **BREDA CONSTRUZIONE FERROVAIRIE** to build buses at the state-owned Severnii zavod, which formerly manufactured SS-20 ballistic missiles. The city needs 100-300 new buses a year and decided that it would be more profitable to assemble the buses in St. Petersburg than to buy them elsewhere. The overall project is valued at \$250 million. (*Kommersant-Daily*, 6 August)

-- Inkombank's Babaev Holding removed Aleksandr Levitskii, the head of the **NOVOSIBIRSK CHOCOLATE FACTORY** who had opposed the takeover by the Moscow bank, on 6 August (See *IEWS Russian Regional Report*, 5 June). Ironically, it was his signature on a truce that allowed Inkombank's purchase to go through. Ultimately, however, Novosibirsk Governor Vitalii Mukha was willing to sacrifice Levitskii in order to gain Inkombank's investments. (*Segodnya*, 7 August)

-- **MAPO-BANK** signed a deal with **TYVA** in which the bank will invest in the republic's economy in exchange for access to Tyva's 200 ton gold deposits. Tyvan President Sherig-ool Oorzhak, who was elected to a second term in March, hopes to use the income derived from the gold sales to reduce the republic's dependence on federal subsidies. (*Kommersant-Daily*, 8 August)

-- **TATARSTAN'S KAMAZ** ended its three-year relationship with the American investment company **KOHLBERG KRAVIS ROBERTS & CO** (KKR). The deal stipulated that KKR would attract \$3.5 billion in investment to the plant in exchange for 32% of its stock. The Tatarstan government, which has recently substantially increased its share in the plant, did not want to have such a large co-owner. (*Kommersant-Daily*, 8 August)

-- Belgium's **ALCATEL** won a tender to provide equipment for modernizing 70,000 numbers in the **ST. PETERSBURG** Phone System and providing a center to serve the network. Japan's **NEC** will modernize an additional 60,000 numbers. The firms declined to name the

terms of the contract. **ERICKSSON, LUCENT TECHNOLOGIES, NOKIA, SIEMENS** and other companies also participated. (*Finansovye izvestiya*, 12 August)

-- The **NOVOLIPETSK METALLURGICAL COMBINE** won its first court case against a shareholders' group including Oneximbank's MFK, Renaissance Capital's Sputnik Fund, and Cambridge Capital Management, who claim to own just more than 50% of the stock in the plant. The Lipetsk arbitration court has ruled that 4.84% of MFK's stock is nonvoting. The shareholders promise to appeal in a case that is defining shareholder rights in Russia. (*Moscow Times*, 12 August)

-- **LENINGRAD OBLAST** has enacted tax holidays for investors who invest a minimum of six billion rubles (approximately \$1 million). Such investors will not have to pay the regional profit tax (18% of revenues), asset tax (2%) and road tax (1.25%). After they have recovered their investment, companies can receive additional breaks depending on the size of their investment. The region is negotiating with **FORD MOTOR COMPANY** and **PHILIP MORRIS** for future investments. (*Moscow Times*, 12 August)

-- Five **VORONEZH** enterprises are cooperating to produce fifth generation televisions. The firms hope to produce one million such TV sets a year within two years. They will cost 25-30% less than similar model produced by Philips and Samsung, according to Deputy Governor Vyacheslav Kleimenov. (Radio Rossii, 3 August)

REGIONAL LINKS

-- **St. Petersburg Elections** (<http://www.soc.pu.ru/election/home.htmlw>) Saint Petersburg State University's Center for Sociological Research and the Russian Center "Russian Sociology" are sponsoring this site. It will provide information and analysis of St. Petersburg's local elections (September 1997), Leningrad Oblast's legislative elections (December 1997), and St. Petersburg's legislative elections (December 1998).

-- **Boris Nemtsov's *Provincial*** (<http://www.inforis.ru/nov/massmedia/provincial/contents.shtml.k>) Avid fans of First Deputy Prime Minister Boris Nemtsov can now read his book *Provincial* on the Internet. Nemtsov finished dictating this book while he was still governor of Nizhnii Novgorod. Its conversational style and numerous anecdotes make it easy and interesting reading.

REGIONAL PROFILE: SVERDLOVSK OBLAST

Governor: Eduard Rossel

Rossel is the descendant of Germans who settled in the Volga region in the 18th century. Unlike many other regional leaders, he is willing to share responsibility for the country's economic difficulties rather than simply blaming them all on the federal government. He believes

that alongside developing the private sector, Russia should have a powerful state sector which produces 30-35% of GNP. He stresses that the state should support military enterprises and wants the government to print more money as a solution to its most pressing economic problems. Rossel is also ready to renationalize large enterprises that are poorly managed by their current owners. In recent years, Rossel has become one of the most visible spokesmen for regional interests in the country.

Yeltsin appointed Rossel as governor following the August 1991 coup. During his first two years in the office, Rossel remained loyal to the federal authorities. But he began to believe that Russia gave too many rights to its 21 ethnically-defined republics while shortchanging the predominantly Russian oblasts and krais. In April 1993, he initiated a regional referendum which asked citizens whether they supported the idea of transforming Sverdlovsk Oblast into a Ural Republic, which would have the same privileges as the ethnic republics. Eighty percent of voters favored establishing the republic.

Yeltsin sacked Rossel for trying to establish the Republic, but Rossel was able to win his governor's post back in popular elections held in August 1995. Although he helped to reelect Yeltsin in 1996, he has often charged that the federal government does not take regional interests into account in formulating its policies.

Other Local Leaders

Chairman of the Oblast Duma -- Vyacheslav Surganov (elected in September 1995).

Brief Overview

Sverdlovsk Oblast is second only to Moscow Oblast in terms of industrial production. It boasts major enterprises specializing in ferrous and non-ferrous metallurgy, electronics, chemicals, pharmaceuticals, and lumber processing. Sverdlovsk also excels in machine building, including the manufacture of equipment for the transportation, energy, mining, chemical, and metallurgical sectors. Sverdlovsk's land is rich in mineral resources which provide raw materials for the region's more than 2,500 processing enterprises. Sverdlovsk is also famous for mining precious stones and making jewelry.

Sverdlovsk oblast is located at the center of Russia on the border dividing Europe and Asia. Its territory covers the eastern slopes of the Ural mountains and the adjoining parts of the West-Siberian lowland. Its central location makes it a highly developed rail, highway, and air transportation node. It shares a border with Tyumen, Kurgan, Chelyabinsk, and Perm oblasts and the republics of Bashkortostan and Komi.

Basic Facts

1995 Population (est.): 4,702,600 (3.17% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 5.08%

Agricultural production as percentage of all Russian production (1994): 2.98%

Average personal income index in July 1995: 101 (Russia as a whole = 100)

Price basket index in July 1995: 117 (Russia = 100)

Average back wages owed per person (September 1995): 36,300 rubles (Russian average = 37,100)

Urban population: 87.6% (Russia overall: 73.0%)

Student population (1993): 163 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 25.41%

Percent of population with higher education (1989 census): 9.1% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 39.3% (Russian average: 29.9%);

Agriculture: 6.6% (12.8%); Trade: 8.2% (9.1%); Culture: 13.3% (13.6%); Management: 1.7% (2.3%)

Number of telephones per 100 families (1993): in cities : 32 (Russian average: 41.5); in villages: 16.6 (17.2)

According to a 1995 survey by Bank Austria, the oblast is ranked 5th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 59.45%/76.92% (first round/second round)

Zyuganov: 11.66%/17.89%

Lebed: 14.18%

Yavlinskii: 5.36%

Zhirinovskiy: 4.88%

Turnout: 63.70%/65.02% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Transformation of the Fatherland: 12.07%

Liberal Democratic Party of Russia: 9.20%

Our Home Is Russia: 8.32%

Communist Party of the Russian Federation: 8.25%

Yabloko: 6.65%

Women of Russia: 5.77%

Party of Workers' Self-Government: 5.74%

Russia's Democratic Choice: 4.87%

Communists -- Workers' Russia: 4.83%

Congress of Russian Communities: 4.18%

In single-member districts: 4 independent, 1 Yabloko, 1 Transformation of the Fatherland, 1 Forward, Russia!

Turnout: 53.13% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 78%

"No" -- 22%

1993 Parliamentary Elections

Russia's Choice: 25.08%
Liberal Democratic Party of Russia: 17.64%
Party of Russian Unity and Concord: 9.76%
Women of Russia: 8.34%
Yabloko: 8.13%
Communist Party of the Russian Federation: 5.77%
Democratic Party of Russia: 5.48%
Agrarian Party of Russia: 3.95%
In single-mandate districts: 4 independent, 1 Party of economic Freedom, 1 Agrarian Party of Russia, 1 Russia's Choice
From electoral associations: 1 Agrarian Party of Russia, 1 Russia's Choice, 1 Liberal Democratic Party of Russia, 1 Democratic Party of Russia
Turnout: 50.14% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 84.80%
Ryzhkov: 4.52%
Zhirinovskiy: 4.43%
Makashov: 1.77%
Tuleev: 1.42%
Bakatin: 1.25%
Turnout: 78.86% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections]*, Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown]*, Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995]*, Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii [Governors of Russia]*, Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.

Compiled by Anna Paretskaya

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TABLE OF CONTENTS

Breaking News

A survey of key events in Russia's Regions

Dispatches from the Field

Entrepreneurship Thrives in Rostov Oblast

Patterns of Regional Development

Gas Attack in Dagestan

Russia's Far North: Deterioration Among Riches

Center-Periphery Relations

Yeltsin Visits Saratov Oblast

Business Briefs

A Weekly Summary of Key Deals in the Regions

Economic Issues

Model Nizhnii Novgorod Paper Plant is Bankrupt

Moscow Banks Develop Regional Networks

Tver Struggles to Reform, Gain Investment

Foreign Ties

Local FSB to Monitor Sakhalin Contracts

Khabarovsk Complains About South Korean Amurstal Owners

Investment in Vladimir Oblast Plunges

Moscow Mayor, Tatar President Visit Kazakstan

Regional Profile: Orenburg Oblast

BREAKING NEWS

18 August

-- The **KARELIAN** chapter of the Beer Lovers' Party decided to sponsor the construction of a bust of Belarusian President Aleksandr Lukashenko in Petrozavodsk. The party said that the bust has two meanings. It honors Lukashenko for his work in establishing the Russian-Belarusian union. However, it also criticizes him for his suppression of Russian journalists. Since the bust

will have no appendages, it symbolically states "Hands off Russian journalists!" (*Guberniya*, 21 August, <http://www.karelia.ru/karelia/newspapers/gubernia/>) Lukashenko has been arresting Russian journalists critical of his dictatorial policies.

20 August

-- The federal government has decided to arrest the entire output of **NORILSK NICKEL** because the plant owes 800 billion rubles to the budget. Uneximbank, which has controlled the plant since 1995, has done nothing but promise to pay. (*Ekho Moskvy*, 20 August)

-- **KALININGRAD** Governor Leonid Gorbenko has banned the import of wheat, flour, and bread products from Lithuania in order to protect local producers. He has also set new higher prices for grain. The measures are likely to raise the price of bread in the region since many areas of the oblast were dependent on the imports. (*Finansovie izvestiya*, 21 August)

21 August

-- The **ROSTOV** electricity station shut off power to the city's trolleybuses because it had not been paid for its energy. The energy workers and the leadership of Vodokanal also shut off the city's hot water. The electricity producers blamed the problems on the city and oblast administration, and warned that the energy crisis could soon grow as severe as that in **PRIMORSKII KRAI**. (*Segodnya*, 22 August)

-- Hundreds of workers from the **KRASNOYARSK** Machine-Building Factory blocked traffic in the city demanding the payment of their salaries. In May the workers received one quarter of their salaries for the previous November. The firm is state owned and the government has not paid for its orders. (NTV, 21 August)

23 August

-- Russia and Finland opened a new **BORDER CROSSING**. Speaking at the site, Prime Minister Viktor Chernomyrdin said that the additional gateway would help improve trade between Russia and the European Union. (Mayak, 23 August)

-- The **RUSSIAN REGIONS 1997** exhibition opened in Moscow. The trade fair is designed to support Russian enterprises. (TV-6, 23 August)

25 August

-- Dalenergo is now cutting off electricity to dozens of consumers in **VLADIVOSTOK** who do not pay their energy bills, the Dalenergo Press Secretary announced. The energy company owes its coal providers 630 billion rubles (\$109 million), and the coal miners, in turn, are owed 160 billion rubles (\$28 million). The miners are on the verge of another strike, according to Primorskugol General Director Anatolii Vasyanovich. Strikes earlier this year shut off power to parts of the city for up to 18 hours a day. (Radio Rossii, 25 August)

26 August

-- **MOSCOW** Mayor Yurii Luzhkov has ordered the local police to strictly enforce residency permits during the celebration of Moscow's 850th anniversary in September and to remove the homeless and criminals from the city. There is already an increased number of guards at all points of entry to the city. (RIA Novosti, 26 August, <http://ria-novosti.russianet.ru/>)

27 August

-- Russia doubled the number of patrols on its border with **JAPAN** to combat an increasing number of incursions by Japanese fish poachers. (Radio Rossii, 27 August)

DISPATCHES FROM THE FIELD

DESPITE PROBLEMS, ENTREPRENEURSHIP THRIVES IN ROSTOV OBLAST.

by Rodric Braithwaite, Former British Ambassador to the USSR and Russia

In Novoshakhtinsk, a mining town of 124,000 people near Rostov, there are 40,000 pensioners. Ninety five percent of the male population used to work in the town's nine mines. Two of the mines have been shut down. Two more are likely to go in the next two years, putting another 6,000 people out of work. The rest will follow in ten to fifteen years. There is almost no other industry, except for a small clothing factory, "Gloria-Jeans", which employs about 1,400 women. Two winters ago people were fainting in the street from hunger. There have been strikes and hunger strikes because the miners have not been paid for six months, and even now are being paid in kind instead of in cash: many are surviving because they have private plots of land. The deputy mayor, a former mine director, told me that he understood that change was necessary and unavoidable. He had tried to attract foreign investment, but foreigners were not anxious to put their money into a dying city against a background of legal and regulatory uncertainty. He was at his wits' end.

One of the most interesting people I have met in Russia for a long time was Vladimir Melnikov, the owner and chief executive of "Gloria-Jeans". Melnikov was a Teddy boy ("stilyaga") in the 1960s, and during the Soviet period went to prison three times for "speculation". The last time he came out was in 1990. After privatization he persuaded the workers of the run-down clothing factory in Novoshakhtinsk to elect him general director instead of the incumbent. He then began to buy up the company's shares until he had complete control. He refuses to have anything to do with the government and its subsidies. But because his business is transparent, and he pays all his taxes, the commercial banks are willing to lend him money on good terms. He has recently sold 20% of the company's shares and a seat on his board to the European Bank for Reconstruction and Development in return for a capital injection of \$2 million. He believes particularly in the importance of proper management, financial control, consumer satisfaction, and proper marketing: his sales representatives in fourteen regional capitals keep him in daily touch with local consumer demand.

Melnikov is an eccentric. But I think that he is genuine. He knows what he wants, but he also knows he has a lot to learn. He is a teetotaler, a workaholic, and an ideologically committed fanatic for private enterprise. He speaks of the men who were shot in the 1960s by

Khrushchev for "speculation" as if they were genuine martyrs to a cause. His business is tiny. But he has the Puritan ethic which made the Quakers, the Huguenots, and the Russian Old Believers rich. A highly professional Russian economist who was with me on this occasion found Melnikov as interesting as I did.

And Melnikov had some very interesting things to say about the regional economy of Rostov as a whole. Like everyone else in the city he agreed that the huge agricultural machinery factory, RostSelMash, was beyond redemption: the management is hopeless, and the product is no longer saleable. The place existed on subsidies, and these are drying up. But Daewoo has begun to assemble two models of car in a factory which used to make cultivators. The local helicopter factory is still selling aircraft (including the most powerful heavy lift helicopter in the world) to India and other developing countries. They cannot get certification for the West. But the director has got his head screwed on and has entered into a joint venture with an American company to develop an aircraft specifically for the foreign market.

I was struck most by what seems to be happening in agriculture in the Rostov region. On the drive to Novoshakhtinsk, Melnikov said that two years ago the huge fields on each side of the road had been derelict. Now they were properly cared for, producing grain and hay. The "owners" were making good money: one had built himself the large three story brick house which we could see a few hundred yards off the road. Further on there was a large herd of fat brown cows. These belonged to some Koreans (from the Korean population inside Russia, not from Korea itself), who were also getting rich: a couple of years ago you would not have seen such a fine herd. I asked Melnikov what he meant by "ownership": the Duma has not yet passed the necessary law. He said that the most powerful figures in the old collective farms had simply agreed amongst themselves – in writing – how to carve up the best land. They were not the legal owners, and to that extent their position was precarious. But they regarded the land as their own in practice, and were acting accordingly. It was this kind of genuine economic phenomenon which was the real way forward, thought Melnikov, rather than the small-scale and bureaucratic agricultural schemes launched by foreign aid agencies.

Finally Melnikov said that there was a huge gap between the official statistics and what was happening in the real economy, of which the shadow economy was the most important part. Politics had little to do with it. He could form a good idea of how the purchasing power of the population varied from place to place and from time to time on the basis of the reports from his sales representatives in the provincial capitals. People were better off than you might think. And there was no correlation between the politics or the reform-mindedness of the local governor and the prosperity or otherwise of the population. Unfortunately I was unable to note down his league table of successful regions. But neither Nizhnii Novgorod nor Samara were high on his list. There is an envious feeling among quite a few Russians that Nemtsov has been oversold, and Melnikov may have been reflecting this. Sklyarov, Nemtsov's replacement in Nizhnii Novgorod, is in any case regarded by reformers as bad news: a wannabe Luzhkov, without the ruthless drive of the Moscow mayor.

All this is mere anecdote. It may be absurd to extrapolate into generalizations about the country as a whole. But this time the anecdotal evidence seems to demonstrate that the dynamism so characteristic of Moscow is beginning to spread – not only to the provinces, but to crucial parts of the economy, such as agriculture, where it has hitherto been almost entirely

absent. I usually come away from Russia encouraged at what I have seen. But I have always been skeptical that the promised Russian economic boom is just around the corner. I am no longer so sure. It was of course summer, which always makes people more cheerful in Russia. As usual the Communists are waiting for the winter and the popular discontent which they hope will bring them victory.

London, 19 August 1997

Rodric Braithwaite visited Moscow, Rostov on Don, and Nizhnii Novgorod 17 July-1 August 1997. For an earlier report on Gloria Jeans, see *IEWS Russian Regional Report*, 10 July 1997.

PATTERNS OF REGIONAL DEVELOPMENT

GAS ATTACK IN DAGESTAN

by Nabi Abdullaev, *Novoe Delo*

MAKHACHKALA - On 20 August, the Khasavyurt chief of police dispatched a special police detachment to the local natural gas supply station to forcibly resume gas distribution to the city. Distribution had been curtailed on 12 August due to the city's chronic payment arrears. Reportedly, Khasavyurt residents owe the gas company "Dagestanmezhregiongaz" 11 billion rubles (about \$2 million).

The company representatives informed the press that there had been a previous attempt to resume gas distribution on the night of 14 August. That evening, a group of armed men penetrated the territory of the station, but failed to turn on the distribution network since they lacked the technical knowledge necessary. Moreover, they accidentally turned off gas supplies to the entire Khasavyurt district and caused a major loss of fuel. That same day distribution of gas to the district resumed, but was again terminated on 16 August, this time officially due to payment arrears amounting to 13 billion rubles (\$2.2 million).

Representatives of "Dagestanmezhregiongaz" stated that turning off the gas supply was an unfortunate but necessary measure and similar measures had been taken in other cities of Dagestan as well. But nowhere have there been events similar to what happened in Khasavyurt. The energy suppliers also said that Khasavyurt city authorities not only failed to resolve their own problems, but breached the unified gas distribution system for all of Dagestan and created an explosive and potentially lethal situation. In the future, they asserted, Dagestani consumers will receive their natural gas in proportion to payments made.

RUSSIA'S FAR NORTH: DETERIORATION AMONG RICHES. Long considered a tough, but profitable frontier, the North today sees its residents moving out *en masse*, according to a report in *Izvestiya* on 22 August. In the last several years over half of the total population has left. Most migrants are highly trained specialists who simply cannot find work and naturally would prefer to eke out their existence in more temperate latitudes.

Demographic statistics reveal deep destitution. People in the North get ill 40 percent more frequently than do inhabitants farther south, and mortality is 1.7 times higher than in the rest of the country. Problems are growing particularly acute among the indigenous Northern tribes of Chukchi and Eskimos. Over time the state has transformed these peoples into unwitting dependents, having torn them away from their traditional ways of life and poisoned them with alcohol (in some native settlements, up to 80 percent of the population are alcoholics). Life expectancy for the Chukchis is 25 years lower than Russia's average, and 35 years lower than the average life expectancy in the West.

Economically, Russia's Far North is in a precarious position: despite a richly endowed natural resource base, it is struggling with severe shortages. In the past, the Northern territories, comprising only 8% of Russia's land, used to supply over 20% of its national income. Today the region is in decline. The old Soviet economy kept afloat many unprofitable enterprises. Inefficiency reigned, partly because the region used to be supplied with subsidized food resources from the state. During the last three years, the North ate up much of Russia's strategic food supplies which had been stored there in case of war. Today, however, local authorities buy foodstuffs wherever they can get the best prices, often from American and Dutch farmers.

Production is stagnant. Chukotka, for example, enjoys huge oil deposits (only fringes of which are being exploited in Alaska), rich gold mines, tin-bearing soil, mercury deposits, and precious stones. But when the state discovered that it's cheaper to buy those resources on the world markets, the miners were abandoned. Much of the old shipping fleet no longer plies the Northern Waterway because it is immobilized by fuel shortages.

It is no surprise that people leave the North in such dramatic numbers. Living there is becoming prohibitively expensive since prices for the most basic goods and services are extremely high. While there is plenty of food in stores, and there are no food lines in sight, people have no cash to spend. Today's minimum subsistence level in Chukotka is 2 million rubles (\$345) a month, but the average salary fluctuates around 1.2 million rubles (\$207). Of the total population, only pensioners get paid regularly, largely thanks to local authorities. A Far Northern pension is 540,000 rubles a month (\$93), a mere 1/4 of the official minimum subsistence level.

Reversing the North's decline would require a cardinal shift in government policy toward the region. Naturally, the capabilities of local government are severely limited, as it is preoccupied with acquiring and redistributing scarce resources. But the state could do a number of things to improve the situation, *Izvestiya* argues. First, natural resources of the regions should be exploited to their fullest potential. Second, the government must pay off the miners' wage arrears. Third, taxation of the region needs to be harmonized with the seasonal nature of resource extraction, and therefore, income. Finally, the North needs state assistance for the shipping industry to insure a steady flow of supplies and resources to its port. - Natan Shklyar

CENTER-PERIPHERY RELATIONS

YELTSIN VISITS SARATOV OBLAST. President Boris Yeltsin visited Saratov Oblast for the first time in five years on 26 August. During his stay he described Governor Dmitrii Ayatskov as one of the few regional leaders who was able to deal with local problems with his own resources, *Nezavisimaya gazeta* reported 27 August. The crowds were generally happy to see Yeltsin and refused to offer any complaints even in the face of his probing, *Segodnya* reported 27 August.

Ayatskov generally supports positions that would make Yeltsin happy, but he also issued a warning over protecting his own powers. He said that he wants to turn Saratov into a donor region by developing its extensive petrochemical resources, including reserves of 3 billion tons of oil, in an interview with *Nezavisimaya gazeta* on 26 August. He claimed that Saratov has risen from 69th place to the top 10 in terms of attracting outside investment. However, he warned that if the federal government tried to increase the power of presidential representatives, he would "liquidate" the post because it is "unconstitutional." In recent months, Yeltsin has relied on presidential representatives to counter governors he does not like, such as Primorskii Krai's Yevgenii Nazdratenko. Such a situation seems unlikely to develop in Saratov.

Ayatskov was elected to his post on 1 September 1996. Yeltsin had appointed him as governor a few months earlier, replacing a rather ineffective predecessor. Ayatskov won a landslide victory (81%-16%) in his race despite the fact that his region generally supports Communist candidates. Communist Party leader Gennadii Zyuganov led Yeltsin by more than five percent during the 1996 presidential elections in the region. - Robert Ortung

BUSINESS BRIEFS

-- The **NENETS AUTONOMOUS OKRUG** has withdrawn **EXXON'S** rights to develop the Tsentralnaya Khoreiverskaya oil deposit, estimated to have 160 million metric tons of oil, declaring invalid a competitive tender Exxon won late last year. Exxon had not begun work at the site because its production-sharing agreement has not been approved by the Duma. A new tender will be held once the Duma approves the production sharing agreement. (*Moscow Times*, 21 August)

-- A delegation of South Korean businessmen discussed the construction of a technical park in the **NAKHODKA FREE ECONOMIC ZONE** on 25 August. The South Koreans intend to invest \$700 million or more in light, electronic, food, and wood processing industries in the zone. The project is expected to create 30,000 jobs. (RIA Novosti, 25 August, <http://ria-novosti.russianet.ru/>)

-- Australia's **EURASIA MINING** had an agreement in which it must invest \$50 million to develop **CHELYABINSK'S** Svetlinskoe gold deposit, but it has yet to make any payments. The deposit is estimated to have 100 tons of gold and 80 tons of silver. Eurasia said that it does not want to go ahead with the project now because of the low price for gold on the world market. The Dutch firm **RTZ** earlier had the rights to work the deposit, but decided after spending \$3 million in exploration costs that the reserves were not as large as advertised. (*Kommersant-Daily*, 23 August)

-- The vice president of the Finnish oil company **NESTE** in **ST. PETERSBURG**, Valerii Mandrykin, was assassinated at his dacha on 24 August. Neste sells 10% of the St. Petersburg's gasoline at its 15 gas stations. There are no clear motives for the killing. (*Kommersant-Daily*, 26 August)

-- The **ROSTOV KRASNYI AKSAI** factory has begun producing Russia's first jeeps. The firm is known for its output of Daewoo's cars. (*Segodnya*, 25 August)

-- **COCA-COLA** opened a new bottling facility in **NOVOSIBIRSK** capable of producing 120,000 liters an hour. The plant is reportedly the first fully integrated system for producing, distributing, and selling a consumer product in Siberia. The Coca-Cola Company spent \$36 million on the plant and an additional \$8 million on infrastructure, including 5 distribution centers, which overall will create 650 jobs. **PEPSI** is planning to spend \$70 million on its own plant. The local consumer goods conglomerate **BINAP** has fruitlessly tried to protest the invasion of the international giants. (*Segodnya*, 25 August 1997)

-- **McDONALD'S** will open its second restaurant in Nizhnii Novgorod near the Gorkii Automobile Factory. The restaurant will have drive-through service. The hamburger chain will open 10 restaurants in the city by the year 2000, with an investment of \$10 million. The local branch of Vladimir Zhirinovskiy's Liberal Democratic Party protested, demanding that the fast food joint sell blini and tea instead of the usual Big Macs.

ECONOMIC ISSUES

MODEL NIZHNII NOVGOROD PAPER PLANT IS BANKRUPT. Nizhnii Novgorod's Volga paper plant was supposed to be a model project for the World Bank's International Finance Corporation (IFC) and former Governor Boris Nemtsov, but now the plant is bankrupt and has no means to repay its extensive debts, *Segodnya's* Iorg Aigendorf reported 26 August. In 1995, the IFC invested \$150 million in the plant. CS First Boston also participated. Deutsche Bank led a syndicate of banks that loaned \$45 million and Nemtsov gave the project political support. The German company Herlitz International Trading AG was put in charge of running the plant after it bought one third of the stock for about \$15 million. At that time, Ernst & Young determined that the plant was worth \$300 million.

During the first half of this year the plant only produced 88,270 tons of paper, less than half of what it produced in the same period last year. Theoretically, it can produce 500,000 tons a year. At the beginning of this year, the plant owed more than \$100 million, most of it to the IFC and the bank syndicate. Herlitz blamed the plant's problems on the bad business conditions in Russia, taxes, and high prices for electricity and transportation. *Segodnya*, however, suggests that the German managers played a significant role in the plant's failure. - Robert Ortung

MOSCOW BANKS DEVELOP REGIONAL NETWORKS. The major Moscow banks **MENATEP**, **Rossiiskii kredit**, **Alfa-bank**, and **Inkombank** are trying to expand their

representation in the Russian regions, *Segodnya's* Igor Kotov and Valeriya Belikova reported on 23 August. The Moscow banks have been signing a variety of agreements with regional leaders. The banks' motives are simple - they want to participate in local investment projects using their own money and money they raise from abroad. The banks also hope to control the financial resources in each oblast. Usually the banks provide the region where they want to work with a large credit which is used to meet the needs of the social sector. The local banks usually object to the invasion of the Moscow competitors, but they generally lack the resources to put up much of a fight. The regions need the outside money so they could not rely exclusively on local banks even if they wanted to.

Inkombank recently signed an agreement with Nizhnii Novgorod oblast in the hopes that it will be named the coordinator of the oblast's Eurobond issue. Inkombank and Alfa-bank are competing against each other for business in Tatarstan. Inkombank gave the republic a 30 billion ruble (\$5 million) credit and President Mintimir Shaimiev invited the bank to work on a project modernizing factories processing agricultural products. Alfa-bank, however, won the right to help the republic with its foreign debt issue. - Robert Orttung

TVER STRUGGLES TO REFORM, GAIN INVESTMENT. Tver oblast is en route to becoming an attractive target for investors, according to an extensive survey in *Finansovye Izvestiya* (21 August 1997). One of the largest European provinces of Russia, Tver oblast occupies 84,000 sq. km. and is home to 1.5 million people.

An industrial region in the Soviet times, Tver housed a developed textile industry and numerous flax plantations. However, production has plummeted dramatically recently, as more and more enterprises have gone bankrupt. The electric energy sector has suffered the same fate, as has the once robust timber industry, which is experiencing lower demand for its products due to a decline in construction. Overall, during the last three years, the oblast has lost almost 65 percent of its total industry and real production has gone down 15 percent (in contrast to a mere 5 percent in Russia overall). Agriculture is still facing considerable difficulties, despite the nearly total privatization of all farming enterprises. Harvests and cattle herds have been steadily declining. The only sectors showing increased production are grain processing, medical, and printing industries.

The local banking sector, chasing high interest yields from government debt, has little interest in investing in industrial production. There is also a large problem with capital flight. The financial situation has a direct impact on people's well-being. The oblast's average monthly is about 580,000 rubles (\$100) and over 40 percent of the people live below the official poverty level. Moreover, Tver's population is rapidly aging,--it officially ranks as the oldest in Russia, and its reproduction rate is the lowest of all regions. It is due to these factors that Governor Vladimir Platov has repeatedly called Tver a "crisis region," citing such symptoms as decline in production, plunging living standards, and high unemployment. To make things worse, current tax policy and the nature of budgetary relations with the federal center do not allow for effective management of the economic crisis.

In response to the mounting problems, Tver's government has prepared and introduced to the State Duma a bill calling for an economic experiment in the oblast. The bill proposes to reform the nature of the tax and budget relationship between Moscow and Tver. It basically

attempts to substitute the current complex and multi-level taxation system with a system in which Tver pays Moscow a stable, specified amount in "oblast taxes" and in exchange gains the right to establish its own tax policies and schedules on the oblast territory. The Feds would gain a predictable inflow of taxes, while the oblast would have greater opportunity for self-governance vis-a-vis independent tax policies.

Moscow is unlikely to approve the proposal. First, opponents of the bill say that it only opens doors for greater local authoritarianism and arbitrariness. Additionally, the Russian Federation has already had bad experience with provincial taxation chaos in 1993, when different regions would impose absurd and completely arbitrary duties on their citizens, resulting in great fiscal inequality from one region to the other. As a result, the federal government has dramatically streamlined the taxation system since then. Many in Moscow believe that the bill is merely a political statement, representing the governor's desire for greater independence from Moscow.

A more viable alternative for dealing with Tver's mounting economic problems, according to *Finansovye Izvestiya*, is articulated in the federal program "On the economic and social development of the Tver oblast in 1998-2005." The federal plan defines several priorities in revitalizing various sectors of the oblast economy. The main priority is the development of the fuel and energy sector, which includes major structural changes and a projected reduction of prices. Another important priority is the timber industry, by now completely privatized, but still largely unprofitable. Given the oblast's favorable location between Moscow and St. Petersburg and the presence of attractive resort sites, tourism is the program's third development target. To implement the entire program, 69 trillion rubles (\$12 billion) will be required, with the federal government contributing 28.2 percent.

As part of the administration's attempt to attract external sources of funding, the governor recently signed a law on foreign investment that offers investors numerous advantages. The law frees potential investors from taxation on profit and property, regardless of the source or nature of the investments, for five years. Furthermore, to ensure shareholders' rights, the oblast government has taken measures to give them greater accountability over enterprise management. Additionally, the oblast administration founded the Institute for Executive Organizations, designed to assist enterprises with the development and implementation of business plans, market research, and fundraising. Most impressively, the oblast government has set aside 100 billion rubles (\$17 million) in its budget to guarantee investments. Finally, the oblast is focusing on improving its infrastructure--building a network of auto-service centers and a safety communication network along major highways; giving the local airport international status; and working to modernize the Tver river port. - Natan Shklyar

FOREIGN TIES

LOCAL FSB TO MONITOR SAKHALIN CONTRACTS. Sakhalin Governor Igor Farkhutdinov has decreed that the Oversight Department of his administration and the local branch of the Federal Security Service must approve all contracts with foreign firms to develop the region's oil and gas resources, *Kommersant-Daily* reported 21 August. The governor adopted the decree because he believes that western investors are trying to take advantage of

Russia's relative poverty to gain social, political, economic, ecological and geological information far beyond what is necessary for their projects. The decree cannot be applied retroactively, so the companies involved in the Sakhalin-1 and Sakhalin-2 projects will not be affected.

Russia lacks the technology and funds to extract the natural resources from the icy waters off the Sakhalin coast by itself, so it has turned to foreign investors. Exxon and Japan's Sakhalin Oil and Gas Development Company are the foreign partners in the Sakhalin-1 project. Marathon, Mitsui, Mitsubishi, and Shell are the foreign majors involved in Sakhalin-2. Exxon, Mobile, and Texaco are hoping to sign a potential Sakhalin-3 project. Japan is extremely interested in the project because it sees Sakhalin oil as a potential alternative to sources in the Middle East. Environmentalists have warned, however, that developing the projects could harm the region's fragile ecosystem.

Farkhutdinov's order seems to be aimed at gaining greater control over the income to be generated from the development of Sakhalin's resource base. The governors of Sakhalin, Khabarovsk, and Primorskii recently signed an agreement which stipulates that the Russian share of the income should go first of all to the residents of Sakhalin and then be devoted to resolving problems in other parts of the far east. Over 40 years Sakhalin-1 and Sakhalin-2 are expected to produce 400 million tons of oil and 700 billion cubic meters of gas. Russia will earn 70% of the profits, an estimated \$60 billion. The two projects will require \$25 billion worth of investment. - Robert Orttung

KHABAROVSK GOVERNOR COMPLAINS ABOUT SOUTH KOREAN

AMURSTAL OWNERS. Khabarovsk Governor Viktor Ishaev sent a letter to the president of South Korea complaining that the South Korean owners of Amurstal, the only Russian steel mill in the Far East, have not paid their workers in six months, *Izvestiya* reported 22 August. The debts amount to \$1.5 million, while the plant has sold \$3 million worth of steel abroad. Several of the workers have begun a hunger strike. In April the deputy director of the plant was arrested for avoiding 5 billion rubles (\$850,000) in tax payments. - Robert Orttung

INVESTMENT IN VLADIMIR OBLAST PLUNGES. Foreign investment in Vladimir Oblast in the first half of this year was less than 25% of what it was during the same period last year, *Finansovye izvestiya* reported 21 August. Overall investment between January and June was \$407,000. The drop was partly a result of the German government's decision to cut in half its Transform consulting program. Additionally ATH (Malta) has cut back its investments into the Vladimir Tractor Factory. - Robert Orttung

MOSCOW MAYOR, TATAR PRESIDENT VISIT KAZAKSTAN. Moscow Mayor Yurii Luzhkov visited Kazakstan's capital Almaty for a one day visit on August 20, Russian television and *Nezavisimaya gazeta* reported.

The two sides signed an agreement on cooperation in the areas of trade, economics, technology, tourism, culture and education. Additionally, Luzhkov met with Kazakstani prime minister Akezhan Kazhegeldin and discussed the possibility of annual purchases by Moscow of 500,000 tons of grain, and delivery to Kazakstan of trucks and medical equipment. Luzhkov

later stated that the most successful result of these negotiations was setting up a branch of the Moscow-based ZIL automobile company in Akmola, Kazakstan.

The long-anticipated oil agreement did not materialize. The Moscow refinery in question is simply not ready to work with Kazakstani oil yet. However, Luzhkov announced that this issue will be resolved during the upcoming visit by President Nursultan Nazarbayev to Moscow.

Both sides agreed that the treaty explores new areas of cooperation among CIS states. President Nazarbayev stated that cooperation with Moscow should be viewed in the general context of Russian-Kazakstani cooperation, namely new ways of economic integration. As he emphasized, CIS-wide cooperation needs to be reevaluated and new forms of cooperation should take place outside the CIS system.

Mayor Luzhkov supported Nazarbayev's charge that the CIS is too inefficient for effective integration. He said: "The CIS today is more of a nostalgically decorative structure, rather than a serious international entity." Additionally, Luzhkov thinks that new forms of cooperation must include all forms of sovereignty, cooperating on a variety of levels, in a unified economic space. That will make deeper integration more profitable and attractive for new members.

Tatar President Mintimer Shaimiev visited Kazakstan on 25 August and Nazarbaev used the occasion to say that he did not support any separatist aims by the Russian region, noting that the meeting took place within the overall context of Russian-Kazak relations, Russian TV reported. The leaders agreed to set up a plant to assemble KamAZ trucks in Kazakstan. The Tatars will also set up a representative office in Almaty. The office will be Tatarstan's 14th within Russia and abroad. - Natan Shklyar

REGIONAL PROFILE: ORENBURG OBLAST

Governor: Vladimir Yelagin

President Boris Yeltsin allowed Vladimir Yelagin to stand for popular election in December 1995, before most other governors were elected, because of his popularity and loyalty to federal authorities. An engineer by training, Yelagin spent most of his early career in Komsomol work. In 1990 he won a seat in the oblast legislature after losing a bid for the Russian Supreme Soviet. In October 1991, Yeltsin appointed him to the position of governor and after four years, Yelagin retained the office in a popular election, winning nearly 60% of the vote.

Yelagin is generally viewed as a moderate reformer. He blamed former acting Prime Minister Yegor Gaidar for starting reforms without the necessary preparations and appropriate management. Yelagin welcomed the appointment of Victor Chernomyrdin, whose roots are in Orenburg Oblast, as prime minister since he believes that Chernomyrdin has adopted a more appropriate line of reform. He stands for more state involvement in the economy and has advocated the equality of all of Russia's regions.

Other Local Leaders

Chairman of the Legislative Assembly -- Valerii Grigorev (elected in July 1994)

Brief Overview

Orenburg Oblast is located on the divide between Europe and Asia to the west of the Ural mountains. It shares borders with Bashkortostan and Tatarstan, Chelyabinsk and Samara oblasts, and Kazakstan. Originally the territory of modern Orenburg Oblast was home to several nomadic tribes, including the Kalmyks, Skiffs, and Tatars, who later moved westward. The Russian state took control of the region in the 16-17th centuries, though intensive migration to the area from the country's western territories began only in the 1830s. In 1743, the present oblast capital, Orenburg, was founded on the confluence of the Yaik and Sakmara rivers, and immediately became the main administrative and trade center of the area.

Today the oblast is one of the country's most important industrial and agricultural regions. Its territory is rich in mineral resources: over 2,500 deposits of 75 different raw materials have been discovered and developed. Oil, charcoal, ferrous and non-ferrous metals are the key deposits. The oblast is second only to Yamal-Nenets in the extraction of gas. More than three fourths of the oblast's output comes from industry, which is dominated by the fuel and energy complex, metallurgy, machine construction, and chemicals. The oblast is located on the crossroads of numerous railroads and highways making it an important transportation hub. The country's major gas and oil pipelines, connecting Siberian gas and oil fields to the European part of Russia and other European countries, cross its territory.

Basic Facts

1995 Population (est.): 2,223,400 (1.50% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 1.73%

Agricultural production as percentage of all Russian production (1994): 1.95%

Average personal income index in July 1995: 65 (Russia as a whole = 100)

Price basket index in July 1995: 108 (Russia = 100)

Average back wages owed per person (September 1995): 60,200 rubles (Russian average = 37,100)

Urban population: 64.1% (Russia overall: 73.0%)

Student population (1993): 110 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 23.52%

Percent of population with higher education (1989 census): 7.9% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 26.2% (Russian average: 29.9%);

Agriculture: 21.5% (12.8%); Trade: 7.1% (9.1%); Culture: 11.1% (13.6%); Management: 2.1% (2.3%)

Number of telephones per 100 families (1993): in cities : 34.3 (Russian average: 41.5); in villages: 19.4 (17.2)

According to a 1995 survey by Bank Austria, the oblast is ranked 29th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Zyuganov: 42.13%/53.94% (first round/second round)

Yeltsin: 25.96%/40.81%
Lebed: 13.62%
Zhirinovskiy: 7.51%
Yavlinskii: 5.84%
Turnout: 70.29%/67.77% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 23.60%
Our Home Is Russia: 12.28%
Liberal Democratic Party of Russia: 11.73%
Agrarian Party of Russia: 8.35%
Communists -- Workers' Russia: 5.97%
Congress of Russian Communities: 3.98%
Yabloko: 3.98%
Women of Russia: 3.81%
In single-member districts: 1 Agrarian Party of Russia, 1 Yabloko, 1 Communist Party of the Russian Federation
Turnout: 65.01% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 56.37% "No" -- 43.63%

1993 Parliamentary Elections

Liberal Democratic Party of Russia: 22.55%
Agrarian Party of Russia: 17.79%
Communist Party of the Russian Federation: 13.20%
Russia's Choice: 13.16%
Women of Russia: 7.82%
Yabloko: 5.94%
Democratic Party of Russia: 5.82%
Party of Russian Unity and Concord: 5.59%
In single-mandate districts: 1 Yabloko, 1 Agrarian Party of Russia, 1 Communist Party of the Russian Federation
Turnout: 56.05% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 57.18%
Ryzhkov: 19.47%
Zhirinovskiy: 8.17%
Tuleev: 4.46%
Makashov: 4.42%
Bakatin: 3.00%
Turnout: 79.23% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95* [Russian regions on the eve of 1995 elections], Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam* [Results of the 17 December 1995 elections, regional breakdown], Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995* [State Duma elections 1995], Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii* [Governors of Russia], Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.

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The RRR Editors

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TABLE OF CONTENTS

Breaking News

A survey of key events in Russia's Regions

Special Conference Report

Tver Leaders Discuss Survival Strategy

Patterns of Regional Development

Krasnoyarsk Defense Workers Continue Protests

Kareliya Faces Financial Crisis

Volgograd's Governor Orders Mayor to Pay Wages

Tatarstan and Bashkortostan to Unite?

Saratov Elects Regional Legislature

Center-Periphery Relations

Abdulatipov Stresses Importance of Russian Nation

Sectoral Analysis

Aeroflot Seeks to Expand Regional Service

Business Briefs

A Weekly Summary of Key Deals in the Regions

Economic Issues

Samara's Avtovaz Avoids Bankruptcy...For Now

Tobacco Companies Increase Investments in Northwest

Swiss Equipment to Print Color Newspapers in Tver

Former Leningrad Governor Hurts Bank's Status
Vladivostok Mayor Introduces New Car Tax

Social Issues

St. Petersburg Assassination Investigation Fruitless
Tambov Authorities Battle Shadow Economy

Border Issues

Primorskii Krai Tightens Entrance Requirements for Workers

Regional Profile: Perm Oblast

BREAKING NEWS

27 August

-- Unknown assailants killed the Director of the **DAGESTAN** State Oil Inspection Service and his family. The motive was apparently an interest in controlling the organization. It assigns licenses and monitors gas stations and firms involved with selling oil. (*Segodnya*, 28 August)

-- Russia and Ukraine agreed to a **BORDER** line on the map. They have yet to demarcate the actual border on the ground, however. (*Segodnya*, 28 August)

29 August

-- **KEMEROVO** Governor Aman Tuleev, the last remaining presidentially-appointed governor who is facing election on 19 October, called on his competitors for the post to campaign exclusively on their own funds while donating the money the state would have provided to charitable causes. Tuleev has the advantages of incumbency, which gives him a visible platform, so any competitor lacking considerable personal wealth who accepted the offer would be put at a considerable disadvantage. (*Segodnya*, 30 August)

-- Central Electoral Commission Chairman Aleksandr Ivanchenko announced that Russia will have a **BUSY ELECTION SCHEDULE** in the fall. By the end of the year, there will be seven Duma by-elections, gubernatorial elections in Altai Republic, Kemerovo and Smolensk oblasts, and the Republic of Chuvashiya, legislative elections in 31 regions, and local elections in 11 regions. Due to the regional executive and legislative branch elections, 35 seats in the Federation Council, the upper house of the national legislature, could change hands. (Based on conflicting reports in RIA Novosti, 31 August [<http://ria-novosti.russianet.ru>] and *Rossiiskaya gazeta*, 30 August)

30 August

-- Despite the resignation of its Duma faction leader Sergei Belyaev, the pro-government **OUR HOME IS RUSSIA** party counts 36 governors in its Political Council. According to the party's literature, the governors join because the party is "the only structure which actually expresses the interests of both the center and the Russian provinces." (*Rossiiskaya gazeta*, 30 August)

1 September

-- The school year began in Russia. In **MOSCOW** and **ST. PETERSBURG** teachers received a raise. However the situation was much worse in many of the regions. More than 30,000 teachers across the country prevented the opening of some 695 schools. Teachers at 70 schools in **ARKHANGELSK** refused to return to the classroom because they had not been paid in several months. In **SVERDLOVSK** Oblast, teachers in 34 schools struck. **TOMSK** schools had no electricity to begin the academic year. Meanwhile, in **KURSK** Oblast, Governor Aleksandr Rutsnoi has initiated the introduction of instruction about Orthodox Christianity. Both priests and secular historians will be involved in the subject. (NTV, Radio Rossii, *Sankt Peterburskie vedomosti*)

SPECIAL CONFERENCE REPORT

TVER LEADERS DISCUSS SURVIVAL STRATEGY

by Boris Goubman, Professor, Tver State University

Like many parts of Russia, Tver is experiencing serious economic and social hardship as it makes the transition to a market economy. A conference bringing together local and regional authorities as well as representatives of the federal government and big industrial enterprises convened on 19 August at the Tver Cinema Center to discuss the situation.

During the first half of this year, the region's industry produced a total output valued at five trillion rubles (\$860 million), just over 88% of what was produced during the same period last year, according to Anatolii Klymenov, the head of the Tver Oblast Economic and Forecasting Committee. Tver region is famous for producing a considerable portion of Russian flax (40% before Perestroika). Textile factories once produced 30% of the region's total output, but that figure has now dropped to 7%. Tver's giant railroad car and excavator factories are almost paralyzed due to the loss of customers willing to buy their products. Electric energy production is another striking example of the region's economic crisis: the Kalinin nuclear power plant traditionally produced 40% of the region's total industrial output, but now it is unable to get its customers to pay their bills. One of the station's blocks is being renovated, while the other has limited capacity. Thus, the station is producing 34% less energy than usual, with consequences for the rest of the region's output.

Forty two percent of the region's factories are unprofitable. They owe 9.5 trillion rubles to creditors and 1.239 trillion rubles to the local, regional, and federal budgets. Their debt to the Tver Oblast budget is 555 billion rubles. The level of debt has risen 140% since the beginning of January. The largest debtors are: the Kalinin nuclear station (310 billion rubles), Sevzapadenergostroi (54 billion rubles), and Tver Railroad Carriage Construction Factory (56 billion rubles).

The industrial crisis is causing considerable problems for the banks whose clients are unable to pay them. The total sum of such debts is more than 350 billion rubles. As a result, three banks lost their licenses this year. Two of the existing twelve banks are not able to make payments due to their clients, and seven more are having difficulties.

The situation on the labor market, according to regional authorities, remains under control. The official unemployment rate is now 1.8%, with the total number of unemployed amounting to 15,000 people. However, some officials fear that the real level of unemployment may be as high as 10% of the region's population .

During the first six months of this year, Tver residents collectively earned 4.83 trillion rubles. Although this figure is 5% higher than in last year, the real income of the population dropped 6 %. The average salary in June was 698,000 rubles, with the subsistence minimum for one person being 317,000 rubles. About 60% of the inhabitants of the region earn less than the average income, while 40% have income below the minimum needed for survival.

During the same period, prices on goods and services grew 8.7% (8% for food, 3.5% for consumer goods). The price for some services jumped more than 20%. This rapid increase resulted from a reform of the housing and social care system. Housing prices went up 30%, health care services grew 32 %, and transportation costs jumped 22%.

The economic situation had an adverse impact on the health of people living in the region. Moreover, although the crime rate is 13.6% lower than last year, the number of felonies and violent crimes grew.

The Tver Oblast administration has limited resources to fight these economic, social, and cultural problems. During the first six months, Tver's consolidated budget received 972 billion rubles, i.e. 42,8% of the planned amount of income for this year, Ivan Raidur, deputy-governor and head of the administration's Finance Department, noted. Out of this sum the regional budget collected 369 billion rubles (40.2% of the amount planned for 1997), while the municipal budgets received 602.7 billion rubles (44.7%). Besides its own resources, the region has financial support from the federal budget. In the first half of 1997, Tver region received from Moscow 166,7 billion rubles, i.e. 39.4% of the sum expected this year. The planned regional budget deficit is 5%, but taking into account the current situation, the experts are predicting that it will be twice as large. The shortage of financial resources hurt all aspects of the regional government's activities.

Investors spent 760 billion rubles in the Tver Oblast economy during the first half of this year, only 85% of investment for the previous year, when the drop in industrial production reached the level of 50% of what it was in 1995. 423 billion rubles from the total sum of investments were allocated for the development of industry and 337 billion went for social purposes. Foreign investment in the region is growing, reaching \$11,6 million in the first half of this year. To implement 18 federal programs working in the region, the authorities spent 41 billion rubles, while the federal government allocated for the same purpose 12,5 billion rubles.

Given the existing economic circumstances, the consolidated budget of the region will need about 6 trillion rubles for different kinds of expenditures next year, while under the new tax code it will be able to collect only 1,4 trillion rubles. This means that private direct investment will be a high priority in regional politics. Trying to overcome the crisis, the regional authorities are looking for a way to attract potential investors capable of reviving the Tver economy. Tver Governor Vladimir Platov is planning to start experimenting with flexible taxation policies. The regional authorities are also offering a system of guarantees for potential investors by forming a special monetary fund for this purpose.

PATTERNS OF REGIONAL DEVELOPMENT

KRASNOYARSK DEFENSE WORKERS CONTINUE PROTESTS. After their protests on 21 August proved unsuccessful (see *IEWS Russian Regional Report*, 28 August), workers at the Krasnoyarsk Machine Building Factory again blocked one of the city's main streets on 28 August. The workers used to make ballistic missiles for the country's submarine fleet, but now have nothing to do, *Izvestiya* reported 29 August. The spontaneous demonstrators called for replacing the factory management and threatened to file suit against them. The workers have not been paid since late last year and complain that they don't have any money to feed their families or buy bus tickets to send their children to school. In the Soviet era, the workers had been among the most privileged of the city's proletariat. The demonstrators only agreed to disperse after the chief of the city's Department of Internal Affairs threatened to use physical force against them, RIA Novosti reported on 29 August.

The radical Communist group Workers' Russia is one of the most active strike organizers, according to *Izvestiya*. Its leaders have already set up a strike committee and are calling for the creation of additional strike committees at other plants. They are warning their followers to prepare for a "difficult and serious" battle. It is not clear, however, whether the hard-line Communist organizers will be able to parlay the workers' concern for their salary into support for the cause of Marxism-Leninism.

The factory's directors cannot pay their workers because the government has not paid for the weapons that were produced in 1996 and has not given the plant any orders for this year. Because there is a long lead time on the factory's projects, the prospects for a quick turn around are exceedingly slim.

At the same time, the 32nd World Free Style Wrestling Championship is taking place in Krasnoyarsk and the factory was listed among the sponsors. Governor Valerii Zubitsov acknowledged that the civil service salaries had been held up due to the preparations for the sporting event, but described the situation as "our internal problem." He had called on the workers not to strike during the event. - Robert Orttung

KARELIYA FACES FINANCIAL CRISIS. Approximately 64% of the enterprises in Kareliya are losing money, according to a government report analyzing the results of the first six months of the year, *Segodnya* reported 29 August. The republican government only collected 53% of its taxes and 38% of what it did collect was in non-monetary form. The high deficit forced the government to issue 53.4 billion rubles worth of *vekselya* in order to cover its most urgent budget outlays. The main cause of the problem is the rising cost of raw materials, electricity, and transportation. The higher costs hurt factory productivity and significantly reduce payments to the budget. Agricultural production, for example, is down 22% in comparison with the first six months of last year. - Robert Orttung

VOLGOGRAD'S COMMUNIST GOVERNOR ORDERS COMMUNIST MAYOR TO PAY WAGES. Volgograd Governor Nikolai Maksyut has ordered Anatolii Shiryaev, the mayor of Volzhskii, the oblast's second largest city, to either pay off some of the municipality's debt to its civil servants within one month or resign, *Nezavisimaya gazeta* reported 30 August.

Both officials were elected less than a year ago and both had the backing of the Communist Party. Maksyut claims that if the mayor cannot deal with the city's problems he will replace him with someone who can.

Despite his threats, Maksyut will not be able to remove the democratically-elected mayor. The Russian Constitutional Court blocked a similar attempt by the government of Udmurtiya and Yeltsin lacks the ability to remove governors he does not like, such as Primorskii Krai's Yevgenii Nazdratenko.

Governor Maksyut is already unpopular with the local Communist Party's obkom leadership. Volgograd State Duma Member Alevtina Aparina, for example, has criticized the governor for not appointing enough Communists to high positions. Maksyut replies that he would rather appoint competent professionals than party comrades. *Izvestiya* suggested that as Communist elected officials set about resolving the problems of their regions, they will have to give party loyalty second priority. - Robert Orttung

TATARSTAN AND BASHKORTOSTAN TO UNITE? Bashkortostan President Murtaza Rakhimov suggested that "under a certain set of circumstances" Tatarstan and Bashkortostan could become a "unified state," RIA Novosti reported 29 August (<http://ria-novosti.russianet.ru>). The immediate impetus for this statement was the signing on 28 August of an agreement in which the two republics agreed to closely integrate their economies. The Bashkir government has already agreed to sell part of the Ufa oil processing plant to Tatarstan, where Tatneft produces oil but has no refinery facilities of its own. St. Petersburg and Leningrad Oblast have also long discussed the possibility of uniting but have not taken any concrete steps in that direction. Some federal authorities believe that a reduction in the number of members of the Russian Federation would make center-periphery relations more manageable, but Rakhimov's statement was the first indication that two regions might merge spontaneously. - Robert Orttung

SARATOV ELECTS REGIONAL LEGISLATURE. The Communists were the main losers in the Saratov regional legislative elections held on 31 August. The elections were valid in 33 of the 35 single-seat districts and representatives of the Communist Party of the Russian Federation did not win a single seat, according to RIA Novosti. Governor Dmitrii Ayatskov said that he was happy with the results, while a spokesman for his administration noted that the election proved that the region was no longer part of the "red belt." Most of the winners had said that they were interested in cooperating with the governor.

Central Electoral Commission Chairman Aleksandr Ivanchenko claimed that the results from Saratov demonstrated that the State Duma electoral law should drop the current use of party lists. Many opposition deputies are elected on the lists and President Boris Yeltsin would like to do away with them in the hopes that the next Duma will be more supportive of his policies. Ironically, it was Yeltsin who initially favored the use of party lists believing that they would help elect his supporters to the Duma. - Robert Orttung

CENTER-PERIPHERY RELATIONS

ABDULATIPOV STRESSES IMPORTANCE OF RUSSIAN NATION. Speaking at a press conference on August 27, Ramazan Abdulatipov, Russia's deputy prime minister for ethnic and regional issues, emphasized that even though he devotes much of his time to the Caucasus region, he does not want to be viewed as a token "Caucasian representative in the Kremlin." Rather, he plans to deal with the problems of all ethnic groups in Russia, *Segodnya* reported 28 August. In particular, Abdulatipov sees the preservation and self-realization of the Russian nation as critical, especially for the "small-numbered peoples around it, both to the north and to the south." In this light, the deputy prime minister called on the government to reclaim the issue of Russian ethnicity and patriotism from the opposition and make it a matter of national policy. - Natan Shklyar

SECTORAL ANALYSIS

AEROFLOT SEEKS TO EXPAND REGIONAL SERVICE. Once the only airline of the Soviet Union, Aeroflot today accounts for a paltry 2% of airline passengers (129,000 passengers) on domestic flights in Russia, *Ekspert* reported 1 September. The airline currently has 111 planes. It is planning to buy about 20 Il-96s and use the freed up Il-62s and Tu-154s to service domestic routes. The firm recently added Bryansk, Arkhangelsk, Kaliningrad, Vladivostok, Petropavlovsk-Kamchatka, Volgograd, Murmansk, Chelyabinsk and other cities to its schedule.

The major carriers inside Russia are now Vnukovskie Airlines (30% of all passengers in 1996 amounting to 1,930,000 passengers), Pulkovo (25%, 1,600,000), and Transaero (23%, 1,460,000). Foreign airlines such as Lufthansa, British Airways, and Finnair are also increasing their flights to regional capitals and taking business away from Aeroflot. - Robert Orttung

BUSINESS BRIEFS

-- **NIZHNI NOVGOROD** Oblast, **LUKOIL**, **NORSI-oil**, and the **GORKII AUTOMOBILE FACTORY (GAZ)** have signed an agreement under which the two oil companies will supply petrochemical products to GAZ in exchange for special equipment designed for exploring and recovering oil. (*Finansovye izvestiya*, 28 August)

-- Moscow-based **INTERNATIONAL INDUSTRIAL BANK (MPB)**, loaned 30 billion rubles (\$5.2 million) to the **REPUBLIC OF KABARDINO-BALKARIA** to cover its budget deficit at the end of August. The loan is aimed at reducing social tensions in the republic. The bank is also planning to make massive investments in local industry, which will amount to 200 billion rubles (\$34.5 million) annually. (*Segodnya*, 29 August)

-- **AVTOBANK** has signed an agreement with **CHELYABINSK** Oblast to help organize its issue of Eurobonds. The first step will be to get a credit rating. (*Rossiiskaya gazeta*, 30 August)

-- **TATARSTAN** is negotiating with the UK's **NATIONAL WESTMINSTER** Bank for a \$100 million syndicated loan. National Westminster is also considering distributing Tatar

telecom deposit receipts on the London and New York stock exchanges. The bankers are interested in other projects as well and will visit the city's of Almetevsk, Nizhnekamsk, and Naberezhnye Chelny. (*Vremya i dengi* [Kazan], 14 August)

ECONOMIC ISSUES

SAMARA'S AVTOVAZ AVOIDS BANKRUPTCY...FOR NOW. Samara Oblast's AvtoVAZ has reached agreement with its two largest creditors on paying back its debts over the next ten years. AvtoVAZ is the country's largest car maker, producing 70% of Russia's cars. On 2 August, the shareholders voted to give the federal government 50% plus one of the plant's stock as collateral against its 14 trillion ruble (\$2.4 billion) debt. In turn, the government will allow the plant to repay its debt over the next 10 years. The stocks can be sold if AvtoVAZ misses two payments to the government in a row, according to *Finansovie izvestiya* on 2 September.

On 29 August, the firm agreed on a 10-year plan to pay back its \$561.8 million debt to Vneshekonombank, *Kommersant-Daily* reported 30 August. AvtoVAZ stopped making payments on this debt in the middle of last year. The bank lent AvtoVAZ the money in the late 1980s and early 1990s to build an assembly line to produce the VAZ-2110 model. Production began at the end of last year. In order to meet the repayment schedule, the plant must sell 120,000 of the cars a year.

Overall, the factory produced 351,000 cars of all types in the first six months of this year and plans to produce 716,000 by the end of the year. It will have considerable difficulty meeting its debt obligations. - Robert Orttung

TOBACCO COMPANIES INCREASE INVESTMENTS IN NORTHWEST. R. J. Reynolds paid \$21.5 million to buy St. Petersburg's Elektronmash factory in order to expand the capacity of its downtown Petro plant, *Kommersant-Daily* 29 August. Reynolds has been making cigarettes at the Petro factory since 1992 and has slowly been expanding into Elektronmash's facilities. Elektronmash was an old defense plant that no longer has any orders. Reynolds will also invest \$4 million in Elektronmash, buy \$1.5 million worth of additional equipment, and pay off 60% of the plant's debts, about \$1.6 million.

Philip Morris is considering investing \$270-300 million in a new tobacco factory in Leningrad Oblast. The regional administration has already set aside 50 hectares for the project.

The British company Rothmans will begin production at its new \$80 million plant in St. Petersburg in September. The plant will have a capacity of 6 billion cigarettes a year. Russians buy up to 220 billion cigarettes annually, according to the newspaper. - Robert Orttung

SWISS EQUIPMENT TO PRINT COLOR NEWSPAPERS IN TVER. The Swiss company WIFAG is providing equipment to set up a third publishing house in Tver that will have the capacity to publish color newspapers. Yakov Arsenov, director of the Komsomolskay Pravda Tver Agency, and Vladimir Orekhov, director of the Vechernyaya Tver Company, initiated the project. Incombank put up financial support for the project after it had been approved by Union Bank of Switzerland. With the help of WIFAG equipment, the new

plant will be able to deliver print runs of up to 500,000 copies of the country's most popular newspapers. Previously, such editions were published in Finland. Tver Governor Vladimir Platov praised the project for bringing capital and jobs to the region. - Boris Goubman in Tver

FORMER LENINGRAD GOVERNOR HURTS BANK'S STATUS. The SBS-Agro bank has long sought the status of authorized bank of Leningrad Oblast so that it will have access to the oblast's financial resources, *Kommersant-Daily* reported 29 August. Apparently one of the bank's main problems was its decision to hire former Leningrad Oblast Governor Aleksandr Belyakov as the director of its North West territorial branch. Since Belyakov was not trained as a banker, the bank clearly hoped that his political influence in the oblast would open doors. However, it turned out that Belyakov, who lost last year's election to the current governor, Vadim Gustov, no longer has good relations with the oblast's economic and political elite. Additionally, he unexpectedly became involved in political issues, denouncing, for example, "the St. Petersburg Industrial-Construction Bank's inordinate influence on the oblast government."

However, in a meeting with Governor Gustov, SBS-Agro Director Aleksandr Smolenskii has found a partial solution. SBS-Agro will now buy a 40% share in Petroagroprombank, the oblast's current authorized bank. Eventually, SBS-Agro hopes to get a 51% share, but this is unlikely to happen soon, according to the newspaper.

In contrast to Leningrad Oblast, Nizhnii Novgorod Oblast eliminated the institution of authorized banks early this year to open the process up to greater competition. Despite some setbacks, numerous Moscow banks are finding it lucrative to work with regional leaders because of the many debt issues and investment projects taking place beyond Moscow's garden ring road. - Robert Ortung

VLADIVOSTOK MAYOR INTRODUCES NEW CAR TAX. Vladivostok Mayor Viktor Cherepkov has introduced a new tax on cars that will range from 21 to 48 monthly minimum wages. The tax could significantly disrupt the city's trade since hundreds of foreign cars are imported from Japan daily and buyers come to purchase them from as far as central Russia, RIA Novosti reported 31 August. In addition to the auto trade, the tax would hurt the city's tourist firms, parts stores, and notaries public. Cherepkov explained that the tax was a reaction to the polluted atmosphere in the city through which all the cars are passing and the poor condition of the region's roads. - Robert Ortung

SOCIAL ISSUES

ST. PETERSBURG ASSASSINATION INVESTIGATION FRUITLESS. The investigation of the apparent contract killing of St. Petersburg privatization chief Mikhail Manevich (see *IEWS Russian Regional Report*, 21 August 1997) is continuing with little information available to the press. According to *Kommersant Daily* (28 August), those behind the murder are most likely to be found outside St. Petersburg, since such a loud scandal is not in the interests of most local organized crime groups. Attention is still focused on the infamous

"Tambov clan," even though the murder was executed "too professionally" for its usual standards.

In a closed meeting, St. Petersburg Governor Vladimir Yakovlev sharply criticized the work of senior city police officials, indicating that, among other issues, he was unhappy with the preliminary results of the assassination investigation. Despite the large number of policemen on staff (around 45, 000), the city has experienced a 63% increase in the number of serious crimes committed in the last seven months, Yakovlev said. At the same time, the city police directorate has one of the lowest records of solving crimes in the country. St. Petersburg's chief of police, Maj. Gen. Anatolii Ponidelko, announced that from now on, his policemen's work day will be extended to 12-hours and additional law enforcement officers will have to work on weekends as well.

Meanwhile, German Gref was appointed the new Chairman of the City Property Committee (KUGI) in place of Manevich, *Segodnya* reported on 30 August. Gref was the committee's first deputy chairman until Manevich's murder, and is considered to be one of the closest associates of the slain privatization chief. - Natan Shklyar

TAMBOV AUTHORITIES BATTLE SHADOW ECONOMY. Like most other Russian regions, Tambov is suffering from chronic wage arrears and debts, totaling 10 billion rubles (\$1.7 million), according to Valerii Koval, the democratic mayor of this traditionally Communist city. In an attempt to tackle this problem, the city authorities have tried to collect tax revenues from the profitable local markets. The volume of annual sales in Tambov tops 2 trillion rubles (\$345 million), yet the city sees little tax revenue from this commerce.

The city's attempt to control this money has met violent resistance, Russian TV reported on 31 August. There have been several violent assaults on city officials involved with money collection. Mayor Koval said that criminal groups controlling the markets have a sophisticated network, encompassing part of the law-enforcement agencies and some economic elites. Furthermore, they are connected to other cities and have strong ties to Moscow. According to the journalists' assessments, Tambov's situation is not unique in the Russian context. - Natan Shklyar

BORDER ISSUES

PRIMORSKII KRAI TIGHTENS ENTRANCE REQUIREMENTS FOR WORKERS. Primorskii Krai authorities have tightened entrance requirement for Chinese and North Korean workers hoping to make money in Russia, NTV reported 27 August. Now those crossing the border will have to demonstrate that they have skills in the profession in which they are seeking work. Translators, for example, will have to demonstrate a knowledge of the Russian language. Even agricultural workers will have to demonstrate their farming talents. Local authorities complain that numerous people without any job skills are crossing the border simply to take up residence in Russia. Many of them illegally hunt for their food. - Robert Ortung

CORRECTION: In the article "Abdulatipov Appointed Deputy Prime Minister" (*IEWS Russian Regional Report*, 21 August 1997), Ramazan Abdulatipov was incorrectly identified

as "the only national minority represented in the upper echelons of the executive branch today". That statement is not correct. We apologize for the confusion.

REGIONAL PROFILE: PERM OBLAST

Governor: Gennadii Igumnov

Gennadii Igumnov was elected governor in December 1996 with the support of the association of pro-reform parties, OKS, headed by Sergei Filatov. In the 8 December first round he swept 41% of the vote leading his closest rival, former Federation Council member Sergei Levitan, by over 10%. In the run-off, Igumnov won a convincing victory gaining almost two thirds of votes.

Igumnov graduated from a technical school and worked in a blue-collar job for about fifteen years. In 1969, he became a department head in the Kizelovsk Communist Party city committee. In 1971, he was elected chairman of the city executive committee and remained in that position until 1983. For the next seven years he worked in the Perm Oblast executive committee. Between 1990-1992, he served in the oblast Legislative Assembly's department for coordinating local legislative institutions.

In January 1992 he moved to the position of first deputy oblast governor. Yeltsin appointed him governor in January 1996 when the former governor, Boris Kuznetsov, resigned after winning a seat in the State Duma on the Our Home is Russia party list.

Other Local Leaders

Chairman of the Legislative Assembly -- Yevgenii Sapiro, elected in April 1994

Brief Overview

The oblast is located in the eastern-most part of Europe, where the Russian Plain meets the Ural Mountains. It occupies about one fifth of the entire Ural and shares borders with Sverdlovsk and Kirov oblasts, as well as the republics of Bashkortostan, Komi, and Udmurtiya.

The oblast's major city, Perm, was founded in the late 18th century at the order of Catherine the Great and immediately became an important administrative center and the largest port in the Kama River basin. It was also one of the country's largest industrial centers: in the 19th century, the city housed over 130 industrial enterprises.

The oblast's territory is rich in mineral resources, including natural gas and oil. It also houses about 25% of the entire coal resources of the Ural economic region and is rich in ferrous and non-ferrous metals, including gold and platinum. The oblast has a diamond field which is located in the Vishera River basin. Moreover, Perm Oblast is one of the richest timber regions in Europe.

Perm is now one of the three most industrially developed regions in the Ural area and is ranked 14th among the country's 89 regions according to volume of industrial production. Over one third of the regional GDP comes from the fuel and energy sector, followed by raw materials processing (20%) and machine building (16.1%). The latter is mostly concentrated in manufacturing military equipment and equipment for the oil, gas, mining, chemical, and timberworking industries.

The oblast is located on a crossroads of two railroads that connect it with European, Siberian and Far Eastern regions. A highly developed system of canals connects the oblast's major river, the Kama, with five seas -- the Caspian, Baltic, Azov, White, and Black.

Basic Facts

1995 Population (est.): 3,024,100 (2.04% of Russian total)
Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 2.72%
Agricultural production as percentage of all Russian production (1994): 2.46%
Average personal income index in July 1995: 90 (Russia as a whole = 100)
Price basket index in July 1995: 106 (Russia = 100)
Average back wages owed per person (September 1995): 38,800 rubles (Russian average = 37,100)
Urban population: 76.4% (Russia overall: 73.0%)
Student population (1993): 132 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 23.85%
Percent of population with higher education (1989 census): 8.0% (Russia overall: 11.3%)
Percent of population working in (1993): Industry: 33.5% (Russian average: 29.9%); Agriculture: 10.2% (12.8%); Trade: 11.9% (9.1%); Culture: 12.3% (13.6%); Management: 1.8% (2.3%)
Number of telephones per 100 families (1993): in cities : 29.8 (Russian average: 41.5); in villages: 14.2 (17.2)
According to a 1995 survey by Bank Austria, the oblast is ranked 23rd among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 55.27%/70.84% (first round/second round)
Zyuganov: 16.12%/23.57%
Lebed: 9.69%
Yavlinskii: 7.21%
Zhirinovskiy: 6.24%
Turnout: 66.55%/65.13% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Liberal Democratic Party of Russia: 14.75%
Communist Party of the Russian Federation: 11.08%
Our Home Is Russia: 9.65%
Women of Russia: 8.21%
Russia's Democratic Choice: 5.78%
Yabloko: 5.59%
Party of Workers' Self-Government: 4.60%

Forward, Russia!: 4.10%
In single-member districts: 1 Russia's Democratic Choice, 3 independent
Turnout: 58.58% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 77.54% "No" -- 22.46%

1993 Parliamentary Elections

Russia's Choice: 27.12%
Liberal Democratic Party of Russia: 14.81%
Women of Russia: 12.24%
Party of Russian Unity and Concord: 9.85%
Yabloko: 8.24%
Communist Party of the Russian Federation: 6.91%
Democratic Party of Russia: 5.00%
Agrarian Party of Russia: 4.86%
In single-mandate districts: 1 Russia's Choice, 1 Civic Union, 1 Communist Party of the Russian Federation, 1 independent
Turnout: 46.00% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 71.13%
Ryzhkov: 10.58%
Zhirinovskiy: 4.99%
Bakatin: 4.54%
Makashov: 2.75%
Tuleev: 1.98%
Turnout: 73.48% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95* [Russian regions on the eve of 1995 elections], Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam* [Results of the 17 December 1995 elections, regional breakdown], Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995* [State Duma elections 1995], Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii* [Governors of Russia], Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.

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TABLE OF CONTENTS

Breaking News

A survey of key events in Russia's Regions

Patterns of Regional Development

Dagestan Faces the Economic Consequences of Political Instability

New Communist Governors Rule in Old Style

Kaliningrad: The Troubled Exclave

"Luzhkov's Villages" Rival Potemkin's

Center-Periphery Relations

Moscow Turns 850: Views From the Regions

Ethnic Conflict and Regional Separatism

Minority Tensions in Dagestan

Social Issues

Radioactive Privatization in Kirov

Business Briefs

A Weekly Summary of Key Deals in the Regions

Economic Issues

New Leadership Emerges at Krasnoyarsk Aluminum Factory

Mitsui in St. Petersburg

Petersburg Telecom Launches Aggressive Regional Expansion

Foreign Ties

Moscow Takes Lion's Share of Investment

Tver Plant, Komazu to Produce Oil Equipment

Italian-Russian Joint Venture Makes Shoes in Tver Oblast

Regional Profile: Arkhangelsk Oblast

4 September

-- The **TULA OBLAST** Procurator arrested former Governor Nikolai Sevryugin in the hospital room where he was being treated for a heart ailment for the last two months. Sevryugin is charged with taking a \$100,000 bribe from a Moscow bank. Sevryugin did not have the

strength to sign his arrest documents and is currently incapable of walking. Investigators have been looking into the case since this spring, following Sevryugin's loss to 1991 coup-maker Vasilii Starodubstev in the gubernatorial elections.

6 September

-- *Komsomolskaya pravda's* **LIPETSK** correspondent, 34-year-old Valerii Krivosheev, was murdered. Krivosheev specialized in investigating hot topics, but it is not clear if he was assassinated for his work or was the victim of an ordinary street fight. (*Segodnya*, 9 September)

8 September

-- The press secretary of the high speed railway that will connect Moscow and **ST. PETERSBURG** announced that construction will begin on the St. Petersburg terminal in October. The government of Great Britain is providing a \$200 million credit to construct the complex which is expected to cost \$316 million overall. The station will have the capacity to handle 30 each of incoming and outgoing trains. It will include office space, hotels, restaurants, shops, and a multi-level parking lot. (*Segodnya*, 9 September)

PATTERNS OF REGIONAL DEVELOPMENT

DAGESTAN FACES THE ECONOMIC CONSEQUENCES OF POLITICAL INSTABILITY

Eduard Urazaev, *Novoe Delo*, (Dagestan)

MAKHACHKALA - Russia's federal budget has recently generated substantial revenues from equity sales of some of the country's most prominent enterprises. Dagestan's 1997 budget sought to capitalize on the same procedure, with limited success.

Dagestan's budget law foresaw raising about 4 billion rubles (\$690,000) by privatizing enterprises, selling equity stakes, and renting out real estate. Budget planners expected to make 3.4 billion rubles (\$590,000) just from the privatizations alone. When this money was successfully collected, Dagestan's State Property Committee decided to sell an additional 40 billion rubles (\$7 million) worth of equity in state enterprises, ten times more than the first sell-off, to address its on-going budgetary crisis. To this end, auction guidelines were set out, and the sales were advertised in the press. Ultimately, however, the sale was a disappointment because it generated little income.

The auction organizers blamed the failure on the low desirability of the property that was offered as well as popular distrust in the main owners of the enterprises that were put on the block. The State Property Committee could have sold the parcels for a lower price, but then it would have risked incurring the wrath of the State Council (Dagestan's collective executive) and the Popular Assembly (the parliament). Representatives of the State Property Committee claim that they are often turned into scapegoats, when in reality their involvement is limited to setting the starting bids. For example, the value of "Dagkhozorg" was originally estimated at 500

million rubles. However, the only bid came in at 100 million rubles, even though the State Property Committee had established the starting bid at 250 million rubles. Other enterprises are facing similar problems.

Following the disappointing domestic results, the Committee decided to tap foreign markets. Auction guidelines and starting bids were posted on the information networks of the Russian capital markets as well as on the Internet. Again, nobody expressed any interest.

Such is the economic price Dagestan pays for its political instability and rising crime rates. It is one thing to publicly boast about Dagestan's great economic potential and its favorable geopolitical location, but real market conditions are a different story.

NEW COMMUNIST GOVERNORS RULE IN OLD STYLE. The recent wave of gubernatorial elections brought Communist governors to Ryazan, Kaluga, and Tula. Each of the three new regional leaders began to govern their region with the same approach - changing the personnel subordinate to them by bringing in old party comrades, according to *Izvestiya* (well known for its anti-Communist bias) on 5 September. Tula governor Vasili Starodubtsev, for example, has brought in a variety of former party nomenklatura members, most of whom are over 60 years of age.

Empty coffers are forcing the governors to take dire action. In Kaluga, the economic situation is significantly worse than it was at the time of the elections 10 months ago. In Tula and Ryazan the new governors have sought to limit the import of vodka from other regions to boost the amount of tax they can collect on the locally produced liquor. Although Tula has in fact increased its tax revenue from the production of alcohol, such measures are illegal. Moreover, present profits may be erased by future demands for compensation by aggrieved businessmen and the flight of capital seeking more stable and law-abiding areas for investment.

According to the paper, the battle is no longer one over ideology; rather it is a conflict between those who have already privatized property and those who hope to do so. The workers at the Electronic Equipment factory in Ryazan have been on strike for the last two months demanding their pay. The governor has come out in support of the workers. However, the battle is not simply a conflict between labor and management. The apparently destitute plant is a potential moneymaker since the German firm Fomin has already agreed to invest 62 million marks in the plant to produce light bulbs. The bulbs would be five times more efficient and last eight times longer than the bulb currently on the Russian market. Their use could save significant amounts of energy and the project already has the blessing of the necessary federal authorities. However, Governor Vyacheslav Lyubimov refuses to sign off on the deal. By using such pressure, he hopes to force the resignation of the plant's director and open the way for the regional administration to take over. According to *Izvestiya's* account, the "red belt" is turning gray. - Robert Ortung

KALININGRAD: THE TROUBLED EXCLAVE. Despite being granted the status of a Free Economic Zone (SEZ) in 1991, Kaliningrad oblast today faces major economic, political, and structural problems, *Nezavisimaya gazeta* reported on September 9. Most politicians and business people in the region agree that the oblast economy is in decline. Kaliningrad's gross domestic product is shrinking, comprising a mere 269 billion rubles (\$46 million) in the first

quarter of 1997. Energy production has declined over the last year, as have oil extraction, industrial output, and the production of bread. At the same time, the manufacture of vodka and liqueurs has increased by 110 percent. Compared to last year, when the region's industrial enterprises enjoyed profits of 58 billion rubles (\$10 million), this year they are facing losses amounting to almost 27 billion rubles (\$4.5 million). It must be noted, however, that real wages have increased by 6.3 percent, and tax collection has remained fairly stable.

Economic decline is coupled with a political confrontation between the governor and the regional дума. Elected in 1996 with Communist support on a wave of anti-government feelings, Governor Leonid Gorbenko quickly turned around and brushed off his former supporters, mostly falling in line with Yeltsin's policies, to the point where the more radical nationalists often call him "an agent of Moscow." His relationship with the regional дума is far from ideal, in part due to his personal confrontation with its speaker, Valeriy Ustyugov, and a heated speech he delivered before the дума in which he called it a place where "all the riffraff congregate." Dealing with the political confrontation and stabilizing the economic situation is one of the priorities for Yeltsin's representative in the region Aleksandr Orlov.

The territorial isolation of Kaliningrad from the rest of the country is one of the main causes of its problems, and the recent deterioration of relations with the bordering countries did not help the situation. As regional Duma Speaker Ustyugov noted, the Russian-Polish Council on Crossborder Cooperation has ceased functioning, diminishing the formerly productive relations between Kaliningrad and many Polish border regions. Additionally, Lithuania and Poland signed a free trade agreement, which, coupled with the new status of Klaipeda, Lithuania as a free economic zone, denies Kaliningrad's port much of its former shipping revenue from Poland. Recent tensions between Russia and Belarus indirectly contributed to worsening of relations between that country and the region.

Several attempts have been made to deal with the situation. For example, Governor Gorbenko introduced some protectionist measures, limiting the import of grain and grain products into the region, a practice often criticized as inane in that it hurts local bread producers and consumers. The administration has also attempted to introduce Local Economic Zones (LEZ) within the region's free economic zone, however the proposal was immediately panned for opening doors to bribery and corruption due to the concentration of important decision-making responsibilities in a small committee. Ustyugov said that the oblast has sent a proposal on the region's development to both Russia's parliament and the Security Council. Local leaders obviously hope that the center might come up with a strategy that would work better than the previous schemes which have done nothing to improve Kaliningrad's precarious position. - Natan Shklyar

"LUZHKOV'S VILLAGES" RIVAL POTEMKIN'S. In a massive attempt to impress the public during Moscow's 850th birthday celebration, the city inaugurated several new architectural achievements--but almost none of them were actually finished, *Kommersant Daily* (9 September) reported. For example, on 3 September Moscow Mayor Yurii Luzhkov and President Boris Yeltsin presided over the grand opening of the famous Christ the Savior Cathedral, often cited as Luzhkov's most populist undertaking, and built with public donations on the grounds of the original building, demolished by Stalin in the 1930s. However, the

cathedral is far from being complete, so the dignitaries in fact sanctified only the grounds around the building.

The following day, the mayor and the president hosted the grand opening of the Stoleshnikov lane. Even though most buildings on the lane still need major renovations, they were all freshly painted and decorated in time for the opening. As a matter of fact, the largest building on the street, the Grand Hotel, is literally a "Potemkin village"--its facade is complete, with nothing at all behind it. Two days later Luzhkov and Yeltsin opened up the "Okhotnii Ryad" shopping mall on Manezh square--despite the fact that the mall as such does not exist yet. Indeed, because its foundation is barely laid and still shaky, only the dignitaries with their entourage were allowed in. The structure simply could not handle a larger crowd. Ironically, *Kommersant Daily* reports, the only architectural project completed in time for the heavily Russian Orthodox celebration was a Muslim mosque on the Poklonnaya Mountain.

The problem stems from the conflicting interests of contractors, working on the basis of business plans, and city officials, guided by their desire to look good before the public and their superiors. Such bureaucratic jockeying is reminiscent of the Soviet times, when false or exaggerated achievements would be consistently reported up the party hierarchy. Such criticism of Luzhkov in the Moscow press is rare since his administration could make life extremely difficult for local publishers who cross him. - Natan Shklyar

CENTER-PERIPHERY RELATIONS

MOSCOW TURNS 850: VIEWS FROM THE REGIONS. In conjunction with Moscow's lavish celebration of its 850th anniversary, *Kommersant Daily* (September 9) tallied up reactions from prominent and ordinary Russians in the regions. Opinions varied greatly, but nearly everybody interviewed agreed that Luzhkov's administration did not stint when it came to special effects, musical performances, fireworks, day-long TV broadcasts of the festivities, and numerous other events.

Some regional respondents felt that such an ostentatious demonstration of Moscow's wealth only made the provincials feel their own dire destitution more acutely. They also felt that Luzhkov should not get credit for paying for such a celebration, since the city's budget simply benefits from taxing the disproportionate (over 80 percent) concentration of Russia's financial capital in Moscow. Aleksandr Makarov, the mayor of Tomsk, said that just one project, reconstruction of the Luzhniki stadium, cost as much as conducting the entire housing reform program in his home city. Makarov further felt that the celebration effectively launched Luzhkov's presidential election campaign, but doubted that his popularity in the regions increased as a result of it.

One respondent from a mining region of Kemerovo cited the exemplary case of her local government donating the money originally intended for a Miner's Day fireworks display toward children's welfare, a better way to use funds, she believed, than spending them the way Moscow did. Kemerovo's Governor Aman Tuleev indignantly chastised the capital for denying his region much needed money to pay wage and pension arrears, yet managing to fund such an opulent festival.

Others felt that Moscow's mayor should be commended for taking advantage of the opportunity, and that it is senseless for the poorer provinces to hold a grudge against Moscow, since the anniversary was funded from the municipal, and not federal, budget. Several respondents praised Luzhkov for his initiative and business savvy, to which they attributed Moscow's spectacular progress of late, culminating in the celebration. Ekaterina Lakhova, the leader of Duma's "Women of Russia" faction applauded Luzhkov for inviting regional representatives to the ceremonies and for giving free festivities passes to Moscow's senior citizens. Nizhnii Novgorod's new Governor Ivan Sklyarov, seen as a close ally of the mayor, highly praised Luzhkov's effort as a consolidating force for Russia's other regions. - Natan Shklyar

ETHNIC CONFLICT AND REGIONAL SEPARATISM

MINORITY TENSIONS IN DAGESTAN. Several recent clashes between Dagestan's police forces and members of the Akkin Chechen minority have prompted a new level of ethnic tension in Dagestan. Akkin Chechens reside in the region around Khasavyurt, comprising about 37 percent of the city's total population, and have long complained about the history of discrimination against them. In part because a great proportion of criminals are Chechens, Dagestani police forces often use extremely harsh measures when confronting Akkin Chechens.

In a recent illustrative incident, police tried to arrest some Akkin Chechens accused of raping a 12-year-old girl, but encountered violent resistance from a crowd made up of other Akkin Chechens. Dagestan's Security Council secretary Magomed Tolboev told *Nezavisimaya gazeta* (September 3) that the violent clashes in the Khasavyurt region represent a focused provocation from the Akkin Chechens carried out with Grozny's blessing. As such, these actions aim to destabilize the situation in Khasavyurt (where most clashes have taken place) and advance Grozny's irredentist claims on this region of Dagestan. Tolboev argued that Chechnya's refusal, under different pretexts, to sign a treaty on friendship and good neighborly relations with Dagestan was consistent with this theory. Chechnya has signed such treaties with its other neighbors.

Chechnya's vice prime minister Mavlodi Udugov agreed that the roots of the incident were part of an attempt to ignite a larger-scale conflict. However, he denounced calls from some Dagestani security officials to enforce border control as attempts to isolate Chechnya. Imampasha Chergizbiev, the Akkin Chechens' representative on Dagestan's State Council (the collective executive), emphasized the inequities suffered by his co-ethnics, who are not represented in city government and are habitually declined entry into local police forces. However, he firmly stated that Dagestan must learn the lessons of Chechnya and avoid letting these scattered confrontations escalate into a full blown war. - Compiled by Natan Shklyar with reports from Nabi Abdullaev in Dagestan

SOCIAL ISSUES

RADIOACTIVE PRIVATIZATION IN KIROV. Concerned Kirov residents met on 2 September to protest a planned state sell-off of 38 percent of the Kirov-Chepetsk chemical

plant, *Kommersant Daily* reported on September 3. Their action stems from concern about the massive deposits of radioactive and toxic waste on the land surrounding the plant. The privatization plan approved by the Kirov Oblast State Property Committee listed the contaminated sites on the roster of plant property to be privatized in direct violation of the law. Legislation prevents the sale of such dumps. Privatization officials claim that they had learned about the problem right before the 20 August shareholders' meeting where the issue first exploded.

As a result of lobbying on the part of the plant's leadership, Kirov Governor Vladimir Sergeenkov addressed Russian Prime Minister Victor Chernomyrdin on 21 August, describing the problems of maintaining and supporting contaminated property, and suggesting that they should be dealt with by government agencies. Sergeenkov petitioned the Prime Minister to cancel or delay the sale of state assets in the plant, until the environmental problems are solved. However, federal privatization officials believe that the assets must be auctioned off, and the contamination problem should be handled separately, by a recently formed special governmental commission. - Natan Shklyar

BUSINESS BRIEFS

-- German President Roman Hertzog traveled to **SAMARA** 3 September to participate in the oblast's Day of the German Economy Festival. Among the German firms participating were **COMMERZBANK, DEUTSCHE BANK, SIEMENS, FRIED KRUPP AG, RUHRGAS, VOLKSWAGEN, DAIMLER-BENZ, KARL ZEISS, MANNESMANN, BAYER AG, HOECHST, BASE, and LUFTHANSA**. In 1996, Samara's exports to Germany amounted to \$112 million and imports totaled \$240 million. (*Kommersant-Daily*, 4 September)

-- **HYUNDAI** will assemble 5,000 of its Accent cars at an Izhmash subsidiary plant in Izhevsk, **UDMURTIYA**. If the process goes smoothly, the South Korean car maker will dramatically expand its production in Russia. The first 200 kits will arrive in November via Nakhodka and the TransSiberian Railroad. Hyundai is also about to begin assembling cars in Barnaul and Balakov. Of the other South Korean majors, **DAEWOO** is working in Rostov and **KIA** in Kaliningrad. (*Kommersant-Daily*, 5 September)

-- The South Korean **LUCKY GOLDSTAR INFORMATION & COMMUNICATIONS** and the Russian firm Telekom will begin producing Starex telephone stations in the **MOSCOW** Almaz factory. The firm has invested \$6.5 million and hopes to produce 300,000 lines a year by 2000. **NEC** and **ALCATEL** are already producing communications equipment in **ST. PETERSBURG** to increase their local sales and **ERICSSON** and **NOKIA** are considering plans in **ZELENOGRAD**. In January Communications Minister Vladimir Bulgak ordered the country's major phone companies to buy local or locally-produced products. This year the Russian market needs equipment for 2.5 million phone lines. Svyazinvest, the holding company that holds 38% of the stock in 85 of the 87 regional telecommunication firms across the Russian Federation as well as the long-distance and international telephone provider Rostelecom, could

spend as much as \$800 million on new equipment this year. (*Kommersant-Daily*, 5 September)

-- **KOMI** is planning to float a \$100 million debt issue by the end of the year. The republic will also issue domestic debt of 150 billion rubles (\$26 million). (*Segodnya*, 2 September)

-- The US firm **PRATT AND WHITNEY** will gain 25 percent of the stock of **PERM MOTORS** in exchange for an investment of \$120 million in modernizing the plant's PS-90A aircraft engine. (*Segodnya*, 4 September)

ECONOMIC ISSUES

NEW LEADERSHIP EMERGES AT KRASNOYARSK ALUMINUM FACTORY.

After months of pitched battle, the Krasnoyarsk Aluminum Factory, the largest aluminum smelter in the world, has a new leadership. The former director of development for the factory, Kornei Gibert has now become the general director. Gennadii Druzhinin, who had earlier resigned the chairmanship of the board of directors in the heat of a dispute with the former general director, Yurii Kolpakov, has now returned as chairman. They were elected at an extraordinary meeting of the stockholders on 30 August, *Kommersant Daily* reported 2 September. The meeting marks a clear break with Kolpakov's leadership.

In 1994, Kolpakov threw out the UK's Trans World Group (TWG) and the Chernyi Brothers who controlled about 17% of the factory's stock in a legally dubious maneuver. Under Kolpakov, KrAZ started competing with TWM on the international aluminum market, draining the firm's profits. Kolpakov was an active supporter of the campaign against TWM which erupted in March of this year, after Interior Minister Anatolii Kulikov criticized TWM as an example of international capitalism trying to exploit Russian industry (See *IEWS Russian Regional Report*, 12 June). However, to maintain its independence from TWM, the Krasnoyarsk plant had to buy up its own supplies of energy and raw materials. Supporting such an empire went far beyond the resources available to the plant (*Izvestiya*, 2 September).

In November 1996 the chairman of the board of directors of KrAZ, Gennadii Druzhinin, fell out with Kolpakov and began denouncing some of his financial machinations. In May 1996 Kolpakov had signed a deal under which KrAZ sent \$20 million to the offshore Leo Trust Company as advance payment for bauxite deliveries. The bauxite never arrived, and Russian police began a criminal investigation of Kolpakov on 2 June. The Leo Trust Company ultimately returned the money that it had received. The board removed Druzhinin in June. Kolpakov resigned on 14 July and was temporarily replaced by several interim directors.

Rossiiskii Kredit Bank, a former ally of Kolpakov's, TWG, and the Tanako regional financial-industrial group are now the key owners of the plant. Daewoo has a significant share and has a member on the board of directors. Rossiiskii Kredit and TWG are expected to name their members to the board of directors at the next shareholders' meeting on 10 October. Under Kolpakov, the main foreign trading partner of the factory was Switzerland's Glencore International, a direct competitor with TWG. Glencore is not currently involved in the affairs of

the plant and its future role is likely to be small with the return of TWG. Glencore owns 5% of the plant's stock (*Kommersant-Daily*, 29 August).

In September, TWG extended a \$56 million credit to the plant to help it overcome its current shortage of raw materials and pay off its most pressing debts. According to the new director Gibert the plant's current overall debt is 1.5 trillion rubles (*Segodnya*, 9 September). However in the first seven months of 1997, the plant made a 505 billion ruble profit. Gibert hopes to pay off the plant's debt in 1998 and reduce its staff from 15,000 to 12,000 by the beginning of 1999. Overall it will cost about \$1.5 billion to modernize the plant. Cooperating with TWG has turned the aluminum smelters in Bratsk (Krasnoyarsk Krai) and Sayansk (Khakasiya) into the largest tax payers in their regions, according to Russian Public Television on 29 August. - Robert Orttung (with excerpts from an earlier report by Peter Rutland)

mitsui in St. Petersburg. Japan's Mitsui & Co. Ltd. has opened a representative office in St. Petersburg to coordinate the firm's three major projects there. In the first project, Mitsui, NEC, and Sumitomo Bank are working with St. Petersburg's Teleinvest, and Moscow's Telekom to produce telecommunications equipment in a factory set to open 12 September, *Kommersant-Daily* reported on 3 September. Mitsui also has a planned \$15 million project in Leningrad Oblast to produce fiber optic cable. The project's fate will be resolved in a few months. Finally, Mitsui is working with Sanyo Electric and Impuls to produce microwave ovens in St. Petersburg. In this deal, Mitsui coordinated an effort to buy a \$51 million plant from Sanyo, with the help of credit from the Japanese government, to be placed in St. Petersburg. It was supposed to begin producing 300,000 ovens a year on 22 June 1997. However, the equipment has been held up in customs for more than a year because the border guards are demanding \$4 million in duties. The plant's managers say that they are waiting for an order from the government confirming that as recipients of an intergovernmental credit, they are entitled to a 5-year holiday from import fees. - Robert Orttung

PETERSBURG TELECOM LAUNCHES AGGRESSIVE REGIONAL EXPANSION. The St. Petersburg Telephone Network (PTS) is actively building up its system of card-operated pay telephones throughout the northwestern region of Russia. *Kommersant-Daily* (3 September) described PTS as the most active local telephone operator in the country. It has already set up mobile telephone systems in Kareliya, Novgorod, Pskov, Murmansk, and Arkhangelsk.

Most regional phone systems cannot afford to install their own card-operated pay phones. Such systems require an initial investment of approximately \$1 million, so to be profitable, the networks must include several hundred phones. It is far cheaper for the regional systems to work with St. Petersburg. Last October, PTS opened 50 pay phones in Petrozavodsk for which the Kareliyan phone company will transfer 10% of the income generated. By the end of the year, PTS will open similar services in Murmansk and Kaliningrad and is negotiating to begin working in central Russia as well. - Robert Orttung

FOREIGN TIES

MOSCOW TAKES LION'S SHARE OF INVESTMENT. In 1996, Moscow attracted \$4.3 billion in foreign investment, 66% of the overall foreign investment in the Russian economy, *Finansovye izvestiya* reported 4 September. During the first quarter of this year, the importance of Moscow continued to grow: the capital attracted \$1.9 billion of the \$2.2 billion invested in Russia overall, a whopping 86.5% of the total. The paper argues that Moscow's relative success reflects the fact that it has a much more solid infrastructure base than the rest of Russia. - Robert Orttung

TVER PLANT, KOMAZU TO PRODUCE OIL EQUIPMENT. The Japanese firm Komazu is negotiating with the Tver Excavator Factory to jointly produce oil refinery equipment. The Japanese company already has a contract with Transneft and is looking for a Russian manufacturing partner. In a recent visit to the Tver factory, the Japanese businessmen were particularly interested in chassis produced for Ural and KamAZ trucks. The chassis could be an integral part of the equipment ordered by Transneft. According to the contract signed by the Tver factory and "Komazu", the factory will make two test chassis first. If they pass muster, Komazu will sign a new contract for 200-250 more units. Production of the test equipment should begin in September, while testing should be completed by November. - Boris Goubman in Tver

ITALIAN-RUSSIAN JOINT VENTURE MAKES SHOES IN TVER OBLAST. A new branch of the Moscow-based Legpromprogress has begun to produce a variety of woman's footwear assembled from parts supplied by the Italian "Julio Perucci" company in Kimri. The three-story factory, rented from shoe-maker Krasnaya Zvezda, is now being renovated, and two conveyer lines are already functioning on the two upper floors of the building. Factory Director Elena Voitenko believes that there will be strong demand for her product and hopes to get the shoes on the market as soon as possible. Most of the factory's equipment is made in Russia, but some of the machines needed for high quality production have been imported. Using Italian components, Russian designers have prepared 14 original designs for the Fall-Winter season which were approved by their Italian colleagues. In the future, the factory will produce a special collection of children's and military boots. The plant currently employs 137 workers and expects to hire up to 320 employees when it has the capacity to produce 500 pairs of fashion shoes and 900 pairs of boots each day. Only 6% of those employed at the factory will be engineers and technicians. Due to the moderate prices, the shoes are expected to be highly competitive on the market. - Boris Goubman in Tver

REGIONAL PROFILE: ARKHANGELSK OBLAST

Governor: Anatolii Yefremov

President Yeltsin appointed Anatolii Yefremov governor on 4 March 1996. He replaced Pavel Balakshin whom Yeltsin had fired for abuse of office. Other members of the Federation Council initially blocked Yefremov's membership in the upper house because they believed that

Balakshin had been sacked illegally. In December 1996, Yefremov won his office in a popular election, receiving 58% of the vote.

Yefremov graduated from the Arkhangelsk Forestry Institute in 1975. Until 1984, he worked as a Komsomol functionary, rising to become second secretary of the oblast Komsomol committee. In 1984 he became a supervisor and then director of a regional freight transport company.

Yefremov's political career resumed in 1990 when he was elected deputy chairman of the oblast executive committee. From 1991 until he became governor, he was deputy governor, heading the Committee on Industry, Transport, Communication, and Road Construction. In 1994-1996 he also was the chief of the oblast's mission in Moscow.

Observers note his loyalty to central authorities. He is also said to maintain good relations with Moscow City Mayor Yuri Luzhkov. He is a member of pro-governmental Our Home Is Russia movement and in April 1997 was elected to its Political Council.

Other Local Leaders

Chairman of the Deputy's Assembly -- Nikolai Isakov, elected in December 1993

Brief Overview

Arkhangelsk Oblast is located in the north of the Eastern European Plain and shares borders with the republics of Komi and Kareliya, as well as Vologda, Kirov, and Tyumen oblasts. The northern boundary of the oblast is defined by three Arctic Ocean seas: the White Sea, Barents Sea, and Karsk Sea. Over a third of Arkhangelsk's territory is covered by woods, another 24% is pastures, 19% is islands (including Novaya Zemlya, Zemlya Frantsa Iosifa, Solovetskie islands), while lakes, rivers, and swamps occupy 16%. Only 1.3% of land is suitable for agriculture.

The oblast is fairly rich in mineral resources, particularly in oil and gas in the Timano-Pechora Field. It also has a diamond field, which is being intensively exploited. However, the oblast is mostly regarded as a timber-processing region and is one of the country's biggest suppliers of timber and cellulose. Regional timber-processing enterprises annually produce 180,000-300,000 tons of paper, 550,000-700,000 tons of cellulose, and about 400,000 tons of pasteboard. The oblast boasts a highly developed fishing industry, with the annual haul reaching 135,000 tons.

The city of Arkhangelsk is the oldest sea harbor in Russia, founded in the late 16th century, and is now the major hub in the country's European North. It processes up to 2,000 ships with a total weight of 1,500 tons annually. The oblast's second largest city, Severodvinsk, hosts construction facilities for Russia's nuclear fleet.

Basic Facts

1995 Population (est.): 1,534,600 (1.03% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 1.15%

Agricultural production as percentage of all Russian production (1994): 0.74%
Average personal income index in July 1995: 100 (Russia as a whole = 100)
Price basket index in July 1995: 119 (Russia = 100)
Average back wages owed per person (September 1995): 104,600 rubles (Russian average = 37,100)
Urban population: 73.4% (Russia overall: 73.0%)
Student population (1993): 96 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 24.58%
Percent of population with higher education (1989 census): 8.8% (Russia overall: 11.3%)
Percent of population working in (1993): Industry: 32.1% (Russian average: 29.9%); Agriculture: 7.6% (12.8%); Trade: 9.6% (9.1%); Culture: 12.5% (13.6%); Management: 2.5% (2.3%)
Number of telephones per 100 families (1993): in cities : 33.5 (Russian average: 41.5); in villages: 26 (17.2)
According to a 1995 survey by Bank Austria, the oblast is ranked 44th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 40.85%/63.91% (first round/second round)
Zyuganov: 18.32%/27.74%
Lebed: 17.28%
Yavlinskii: 10.79%
Zhirinovskiy: 6.55%
Turnout: 66.79%/66.29% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 14.09%
Liberal Democratic Party of Russia: 10.84%
Women of Russia: 8.85%
Party of Workers' Self-Government: 8.30%
Our Home Is Russia: 7.98%
Yabloko: 7.72%
Russia's Democratic Choice: 4.99%
Pamfilova -- Gurov -- Lysenko Block: 3.35%
Congress of Russian Communities: 3.08%
In single-member districts: 1 Communist Party of the Russian Federation, 1 independent
Turnout: 65.99% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 71.61% "No" -- 28.39%

1993 Parliamentary Elections

Liberal Democratic Party of Russia: 22.22%

Russia's Choice: 21.83%

Women of Russia: 12.85%

Yabloko: 8.20%

Party of Russian Unity and Concord: 6.63%

Communist Party of the Russian Federation: 6.44%

Agrarian Party of Russia: 6.39%

Democratic Party of Russia: 5.74%

In single-mandate districts: 2 independent

From electoral associations: 1 Communist Party of the Russian Federation, 1 Russia's Choice

Turnout: 58.20% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 56.34%

Ryzhkov: 19.15%

Zhirinovskiy: 6.57%

Tuleev: 6.20%

Bakatin: 5.17%

Makashov: 2.62%

Turnout: 74.41% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections]*, Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown]*, Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995]*, Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii [Governors of Russia]*, Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.

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TABLE OF CONTENTS

Breaking News

A Survey of Key Events in Russia's Regions

Fall Legislative Elections

Tver Oblast Politics: From Confrontation to Dialogue?

Hotly Contested Local Petersburg Elections Remain in Doubt

Patterns of Regional Development

Power Industry Strike Resumes in Primorskii Krai

"New Siberians" Profiled

Center-Periphery Relations

Proposed Budget Would Hurt North

Social Issues

High AIDS Rate in Kaliningrad

Business Briefs

A Weekly Summary of Key Deals in the Regions

Economic Issues

Report Ranks Top Ten Business Regions

Illegal Car Tax Revoked in Vladivostok

Swedish Magnate to Invest in Novosibirsk Plant

EBRD Small and Medium Business Loans in Primore

Foreign Ties

Bashkortostan to Open Representative Office in India

Regional Links

Center for Regional Analysis and Forecasting

Regional Profile: Astrakhan Oblast

BREAKING NEWS

11 September

-- The **VOLOGDA** lawyer Pavel Faizov has called on his fellow citizens to sue Vologdaenergo company for the lack of hot water in the city, *Izvestiya* reported. Faizov will defend anyone interested in joining the suit free of charge. Temperatures are already below freezing in the northern city and apartments are cold. The company turned the hot water off early in the summer to repair the pipe network, and despite promises to restore service by 29 July, has so far failed to do so.

12 September

-- While visiting Khanty-Mansiisk, First Deputy Prime Minister Boris Nemtsov said that he is prepared to move rapidly ahead with plans to bypass **CHECHNYA** and build a new 283 kilometer \$220 million oil pipeline from Dagestan to North Ossetia to carry "early oil" from the Caspian Sea for export through Novorossiisk on the Black Sea. On 9 September Russia and Chechnya signed an agreement under which Chechnya will receive \$1 million in return for the export of the first 200,000 tons of oil through the pipeline crossing Chechen territory, but continuing doubts about the security of the pipeline cause many to believe that building a new pipeline may be the way forward.

FALL LEGISLATIVE ELECTIONS

TVER OBLAST POLITICS: FROM CONFRONTATION TO DIALOGUE?

by Boris Goubman, Professor, Tver State University

TVER - As in Moscow, regional political activity gradually revives following the summer break. Renewed confrontation between the executive and legislative branches of power marked the beginning of the new political season in Tver Oblast. Although Tver Governor Vladimir Platov expressed his readiness to cooperate with all political parties and movements for the benefit of the region in a letter published in *Veche Tveri* on 12 September, it is unlikely that the Communist opponents of the governor and their allies ensconced in the regional legislature will match the governor's peace offering. The roots of the conflict are deeply embedded in the competing economic and political interests of the region's various parties and elite groups.

In December 1995, almost nobody could have predicted that the head of Bezhetsk district administration, Vladimir Platov, would be able to unseat the experienced incumbent governor, Vladimir Suslov, the head of Tver city Communist party committee before Perestroika. Governor Suslov had the administrative apparatus and all the power of the news media at his disposal and could exploit Tver's traditional support for the Communists. Along with Tula, Ryazan, Kaluga, and some other regions of Central Russia, Tver is considered part of the so called "red belt" surrounding Moscow. Two of its deputies to State Duma - T. Astrakhankina and V. Bayunov - are Communists, though A. Tyagunov was elected with the support of the pro-governmental Our Home is Russia. During his campaign, Platov's support was limited to his own local movement, Power of the People, Boris Fedorov's Forward, Russia!, Grigori Yavlinskii's Yabloko, and other democratically-oriented groups. The Regional Election Committee was so surprised by his victory, that it delayed announcing the election

results. Platov beat Suslov by a margin of 49%-34% with a turnout of 60% on the 18 December election day. Platov's victory in Tver's first free gubernatorial elections undermined the myth of the region as a red bastion: local voters were ready for change and demanded positive results from the reformers. At the same time, the opposition was not going to surrender and set about organizing strong resistance to the new governor from its base in the oblast Legislative Assembly.

The governor swept into office on a platform of providing real economic autonomy for the region and effective self-rule for its 43 municipal units. Following the pattern of Yekaterinburg, Governor Platov and President Boris Yeltsin signed a special power-sharing treaty that guarantees Tver's autonomy on 13 July 1996. As part of his plan to implement the idea of regional autonomy, the governor is currently trying to persuade the federal authorities and the oblast Legislative Assembly to conduct an experiment allowing flexible business taxation within the region. According to this idea, the regional authorities would pay a fixed sum of money to the federal budget and have the right to introduce a flexible tax scale for different businesses. Another idea related to the plan for reviving the regional economy consists of providing special tax holidays for investors. Last year, the Legislative Assembly approved a regional law which freed investors from having to pay profit, property, and land taxes for five years on the sum of their investment. The Assembly is planning to pass an amendment to this law guaranteeing that investors are not to pay local taxes until they have recouped the money they have invested. In another attempt to attract potential investors, the governor sanctioned the creation of a special insurance fund, setting aside 100 billion rubles (\$17 million) from the regional budget in 1997. According to his plan, the fund will grow to 1 trillion rubles (\$170 million) over time.

To put his plans into action, the governor has adopted a political strategy of consensus building. He is seeking support from all the municipalities within the oblast, all stratas of the population, and the entire spectrum of political and public organizations. In order to improve his relations with all parts of the oblast, he established the Department of Territorial Monitoring under V. Sychov to organize a constant exchange of information and include as wide a range of actors as possible in the decision-making process. Additionally, soon after coming to power, the governor dissolved the Power of the People movement which he had created to win the gubernatorial campaign. By ending his partisan links, the governor hoped to stand above the political fight and serve as the representative of everyone in the oblast. This spring, however, under the violent attack of his opponents, the governor decided that he needed to establish a new platform to organize public support. He therefore set up the Political Consultative Council of Public Organizations to fill the organizational void. It includes chambers for political organizations, non-political public organizations, and districts' representatives. As a result, the regional administration now has the opportunity to hear "the voice of people" and to react in a more flexible way in its decision making process.

The confrontation between the governor and the legislature was inevitable. In addition to the Communist hard-liners, the ex-Communist nomenklatura and new democratic elites of Tver were concerned about the intrusion of a charismatic newcomer from the oblast's periphery. In the Legislative Assembly, the opposition is headed by Deputy Chairman V. Nekhaev, who has the strong support of I. Zaikin, N. Nesterova, and some other Communist and nomenklatura

deputies. In a challenge to Platov, the Assembly approved in March 1996 a law defining impeachment procedures that was rightly denounced by the administration's lawyers as unconstitutional. As a basis for confrontation, the opposition took advantage of legal improprieties in some of the administration's decisions and documents, as well as some evident mistakes made by members of the administration staff. On the whole, however, its actions were not constructive. Sometimes, the Communists coordinated their attack on the governor with the Tver branches of Yabloko and Our Home is Russia. In most regions, Our Home is Russia backs democratic governors, but in this particular case, specific clannish political and economic interests encouraged the movement to work against its ostensible ally.

The struggle of the Communist opposition with the governor reached its climax in May this year when the Tver Regional Election Committee registered a group of 61 people attempting to collect the necessary number of signatures in order to impeach governor Platov. They used the pretext of mass delay in pension and salary payments that was typical for all of Russia. The pensions were paid, but angry senior citizens continued to support the impeachment group, gathering every week in front of the administration building. The protesters usually combined their attack on the governor with calls to get rid of the "traitors" in the federal government. In launching the impeachment process, the Communists hoped to replace Platov with either T. Astrakhankina or V. Bayunov. Unfortunately, Yabloko and Our Home is Russia did not resist the Communists' ambitious plans, thus demonstrating their political shortsightedness and the lack of solidarity within the democratic camp. The leaders of the impeachment team boasted that they had collected 15,000-17,000 signatures, many more than the 12,500 signatures required for a referendum on the governor. However, the governor appealed to the Tver Regional Court accusing the Regional Election Committee of violating the law "On the procedure for impeaching the Tver Oblast governor". On 12 September, the Court found in favor of Governor Platov, declaring the registration of the impeachment group illegal. The same day, the governor published his letter calling for reconciliation and political dialogue. The elections to the Tver Oblast Legislative Assembly scheduled for this December should reveal whether the conditions for such a dialogue between the two branches of power can improve. The opposition, however, is still ready to fight.

HOTLY CONTESTED LOCAL PETERSBURG ELECTIONS REMAIN IN DOUBT.

by Daniel Tsygankov, Assistant Professor of Sociology, St. Petersburg State University

ST. PETERSBURG - The current local elections are significantly different than previous campaigns in the city on the Neva - the electoral process is taking place mainly through law suits, while there is no visible campaigning on the streets and there are no debates on television. When these elections were called on 7 April 1997, they had already been canceled once by the Russian Supreme Court and there is no guarantee that they will take place as scheduled on 28 September. Even if voting is held, the court may yet overturn the results as illegitimate.

After the raion councils were disbanded in 1993, following Yeltsin's violent confrontation with the national legislature, St. Petersburg was left without freely-elected municipal legislatures, and raion administrations exercised all power at the local level. The

federal law on local government adopted in September 1995 declared that all members of the Russian Federation should organize local elections within six months. There was no exception made for Moscow and St. Petersburg, cities with the status of oblasts, and they were supposed to create an additional set of local government institutions at the city level, an irrational requirement which would have led to a situation of "dual power." Only in spring 1997, did the Duma adopt the Luzhkov-Shishlov Amendment which allowed the cities to organize local elections exclusively at the raion level as long as the St. Petersburg Legislative Assembly adopted the appropriate legislation.

The Assembly deputies, who had been united in opposition to the creation of another city-level representative organ, split into two camps on the adoption of a local electoral law. The "raionshchiki," led by the Chairman of the Committee on Local Government, and the leader of the regional branch of the Democratic Party of Russia, A. Krivenchenko, fought for conducting the elections according to the existing 19 administrative divisions. The ultimately victorious "munitsipalshchiki, led by Russia's Democratic Choice Party leader V. Sychev, suggested creating 111 municipal councils - 8 in St. Petersburg's satellite cities, 21 in nearby villages, and 82 within the city itself. The number of members on the councils varies from 15 to 30 depending on the number of residents in the district. The property controlled by the councils has yet to be defined since the relevant bill was only introduced to the Legislative Assembly in early September. It is also unclear what the sources of income for the local budgets will be, especially in bedroom communities where there are no big factories that would potentially pay large sums in taxes. Nevertheless, the possibility of the redistribution of property, as earlier, is the "key" to the elections. The law on local government generally corresponds to the European Charter on local government. Even the division of the raions complies with the recommendations of the Council of Europe which advises that local bodies govern no more than 50,000 to 60,000 people.

A group of Petersburg politicians, unhappy with the compromise on the rules of the game reached in the Legislative Assembly, took the matter to court. They charged that the new arrangements did not take into account historic traditions, as required by federal law, and the opinions of city residents. They also noted that several of the districts did not have the necessary infrastructure. For example, 17 of the new districts lacked their own polyclinics and there is no law requiring polyclinics in other jurisdictions to accept patients from outside their territory. Although most observers believed that the elections would be overturned, Judge Nina Antonovich ruled on 1 August that the electoral law was valid. The Supreme Court is now hearing the case and a decision is due on 18 September.

Against the background of the legal battles, the campaign has proceeded listlessly. The local councils have little or no competence in the issues that sociological studies show are important to voters - growing crime rates, increasing rent and municipal services costs, rising prices, and deteriorating public transportation.

On 29 June, the newly-formed Our Petersburg bloc held its first press conference. The bloc hopes to elect its candidates to the local councils and to the St. Petersburg Legislative Assembly in the December 1998 elections. The well-known Assembly member A. Kramarev and Vice-Governor V. Shcherbakov lead the bloc. The bloc also includes the regional branch of Aleksandr Lebed's party, one of the "asphalt" Cossack organizations, and the regional

association of army and navy special forces veterans. At the core of Our Petersburg's program is the battle with crime and corruption, and particularly an emphasis on preventing individuals connected to organized crime from joining the local councils. The local police have therefore verified that all of the bloc's 170 candidates have no criminal ties. In its campaign, Our Petersburg is using the local press more actively than its opponents - accounts of its regular press conferences and interviews with its leaders seem to be everywhere. The themes of cracking down on crime and imposing order on street trade play a prominent role in the campaign strategies of other candidates as well. Several have appealed to the voters' nostalgia, calling on the authorities to support voluntary police units comprised of ordinary citizens, clean up playgrounds, and improve conditions in the city's apartment stock. One gets the impression that the majority of them are relying on guess work - believing their image-maker advisors more than opinion polls of potential voters.

As a means of joining the electoral fray, other blocs announced their intention to file new law suits. The local branch of Yabloko - the Regional Party of the Center - was against the creation of the 111 districts, but nevertheless decided to participate in the elections, hoping that they would serve as a school of civil activity for local voters. However, Yabloko experts pointed out that the law called for district electoral commissions to be created by the 111 municipal councils or administrators that still do not exist. As a result, the electoral committees formed by the current raion leaderships are illegitimate since the raions no longer enjoy the status of municipal institutions. At the same time, the commissions have been denying registration as party representatives to some of the 330 candidates nominated by Yabloko. According to the law, to register party candidates in the elections, a party branch in the district must have been registered at least six months prior to the day of voting. Since the districts were formed only three months before the elections, some of the commissions are only registering candidates who were nominated by groups of voters rather than political parties. The leader of the Regional Party of the Center, A. Amosov, has even accused the commissions of creating conditions for the criminalization of the municipal governments, claiming that the parties can serve as a filter for unclean candidates, while anyone who wants can register with the support of a voters' group.

The democratic parties again were not able to create a unified bloc even beyond the traditionally separate Yabloko. Russia's Democratic Choice, Democratic Russia and others have formed "Agreement" which has nominated about 300 candidates, while the Free Democratic Party of Russia, Common Cause, Forward, Russia!, the Republican Party, and other dwarf parties founded "Baltika" which has nominated about 150 candidates. Our Home is Russia has done nothing, probably because the local faction is more concerned with the Moscow rebellion of former NDR Duma faction leader Sergei Belyaev and member of the NDR Political Council Aleksei Aleksandrov, both of whom are from St. Petersburg. According to unofficial sources, the NDR has prepared a list of about 150 registered candidates that it will support at the last stage of the campaign. The Communists are sticking to the tried and true method of working door to door. On the edges of the city and in microraiions where the poorest citizens live, they have reasonable chances for success.

At the moment, in each of the multimember electoral districts, there are 3-4 candidates registered per seat, with 4,850 candidates competing for 1,520 seats overall. The advertising campaign is limited to pasting low quality flyers on walls, while only a very few candidates have

good financing. An upsurge in campaigning is expected after 18 September, following the final decision of the Supreme Court.

PATTERNS OF REGIONAL DEVELOPMENT

POWER INDUSTRY STRIKE RESUMES IN PRIMORSKII KRAI. Workers of the Luchegorsk mine went out on strike 14 September pending full payment of their wage arrears. The mine ceased operations except for those absolutely vital to keeping the enterprise functioning. Luchegorsk is the largest mine in the region and supplies the Primorskii power station, making it the key to the entire region's energy supply. The mine's management has been trying to work out the situation with the regional government, which owes considerable sums to the energy sector, but to no avail. In sympathy with the miners' concerns, the mine's management has been minimally compensating the strikers. A strike by Primorskii Krai energy workers in May left many city residents without electricity for as much as 18 hours a day.

On 16 September, shortly after the Luchegorsk strike began, power station workers starting picketing the city and regional administration buildings. The picketers demand that the administration comply with the anti-crisis protocol signed during First Deputy Prime Minister Boris Nemtsov's June trip to the region. The strikers had originally set their action for 10 September, but wanted to give the administration another week to work out an agreement. However, no agreement was reached between the two sides, and the strike ensued. Simultaneously, repair workers at Vladivostok's Second Thermal Power Station have gone on a spontaneous strike as well, also demanding payment of their wage arrears, ranging anywhere from 5 to 12 months. As *Vladivostok* (<http://vl.vladnews.ru/>) reported, the administration's failure to comply with the anti-crisis protocol hit the region's entire energy sector hard.

Governor Evgenii Nazdratenko made a televised plea to the energy sector workers on 15 September just before they went out on strike. Stressing the impending winter season, the governor called on them to reject radical methods of protest and promised to find the money needed to pay off what they are owed. He insisted that it is the high energy rates, set as a result of the anti-crisis agreement with Nemtsov, that must be blamed for the region's dire economic condition. (In June the federal government had claimed that Nazdratenko was charging residential users artificially low energy rates, while charging federal institutions much higher rates, effectively transferring money from the federal to regional budget. Nemtsov's demands included reducing this discrepancy.) However, Vasilii Poleshchuk, the general director of Dalenergo, the company supplying most of the region's energy, noted that the administration voluntarily agreed to hike the tariff on residential users and thus must bear full financial responsibility, instead of passing it on to the workers by withholding their salaries. The power industry's problems are compounded by the sharp deficit in diesel fuel needed for most support-level machinery at the power stations. - Natan Shklyar

"NEW SIBERIANS" PROFILED. Inspired by *Forbes'* recent ranking of the planet's richest people, Novosibirsk's *Post* published the results of a survey profiling the city's most fortunate citizens. Leaders of armed gangs occupy the first tier, while high level government officials make up the second tier. According to those polled (mostly the rich themselves as well as people who

come in frequent contact with them), a "new Russian" in Novosibirsk must consume at least \$10,000 worth of goods and services a month, and earn at least \$400,000 a year, while maintaining a net worth of at least \$1 million. Additionally, he or she must own several residences, often including a country house and a Moscow apartment, and drive a \$50,000 car (either Jeep, Mercedes, or BMW). Almost all polled agreed, though, that Novosibirsk is not a good place to spend one's money. - Natan Shklyar

CENTER-PERIPHERY RELATIONS

PROPOSED BUDGET WOULD HURT NORTH. Chairman of the State Duma Committee on the Problems of the North Vladimir Goman charged that the proposed 1998 federal budget could create economic catastrophe in the north, *Finansovye izvestiya* reported 16 September. The draft budget lacks funds to subsidize the provision of food to the far north regions. The government will also cut funding to a number of programs designed to help residents of the north. To make matters worse, the federal government has not made good on its 1997 promises. Although the budget set aside 3.5 billion rubles for supplying provisions in 1997, the "sequestration" procedure reduced this figure to a little less than 2.5 trillion rubles, which should have been paid out by 15 July. To date only 2.2 trillion rubles have been disbursed. The hard-to-reach areas of Sakha, Chukotka, Kolyma, and Taimyr have received only partial supplies of the necessary liquid and solid fuel for the winter. Of the 919 billion rubles (\$160 million) supposed to be spent on federal programs in the North in 1997, only 24 billion have actually been used. The "Children of the North" program has received only 23% of its funds, for example. Goman will lobby for the 1998 budget levels to stay at the 1997 level and work to ensure that the budget actually be implemented. - Robert Ortung

SOCIAL ISSUES

HIGH AIDS RATE PROMPTS CALL FOR LEGALIZATION OF PROSTITUTION IN KALININGRAD. A sharp increase in the number of cases of AIDS and HIV infection in Kaliningrad Oblast has prompted regional governor Leonid Gorbenko to call for the legalization of prostitution, *Izvestiya* reported on 17 September. Kaliningrad has the highest rate of HIV infection in the Russian Federation, with more than 1,200 recorded cases; about 100 people are suffering from full-blown AIDS. Last year alarm over the spread of the disease led the regional authorities to impose emergency security measures (see *Russian Regional Report*, 18 September 1996). The number of recorded cases of HIV and AIDS is also rising rapidly elsewhere in Russia and the Commonwealth of Independent States. A Russian Health Ministry representative told a meeting of CIS officials on 11 September that 2,985 HIV cases had been registered in Russia during the first eight months of 1997, up from 1,500 in all of 1996, according to *Izvestiya* of 12 September. Infection is particularly high among intravenous drug users and prostitutes. A Kaliningrad police official said that about 90% of addicts and prostitutes arrested in the oblast had tested positive for HIV. In response to the crisis, Gorbenko is advocating the legalization of a handful of brothels and regular medical check-ups for the prostitutes they employ. There are, however, doubts about both the effectiveness and the

legality of such a scheme, as brothels are outlawed under the Russian Federation Criminal Code. - Penny Morvant

BUSINESS BRIEFS

-- From \$600 million to \$900 million will be invested in the realization of a project to produce oil and gas on the shelf of the northern part of **SAKHALIN** island in 1998, according to an announcement made at a meeting of the working committee of the Sakhalin-1 project. The meeting, which began in Yuzhno Sakhalinsk on 9 September, was attended by representatives of the US **EXXON**, the Japanese **SODEKO**, and the Russian **ROSNEFT** and **ROSNEFT-SAKHALINMORNEFTEGAZ** companies, which are part of the consortium for the development of hydrocarbons on the Sakhalin shelf. (*Finansovye izvestiya*, 11 September)

-- **DUPONT** (USA) will invest \$10 million in a joint venture with the Russian firm **KHIMPROM** to produce a herbicide to protect Russian grain and sugarbeet crops at a former chemical weapons facility in Novocheboksarsk. A DuPont spokesperson said that the current market for crop protection chemicals is \$200 million and that it could potentially rise to \$1 billion. US officials believe that chemical weapons are no longer made at the site. Russia is believed to maintain the world's largest stockpile of chemical weapons. (*Wall Street Journal*, 12 September)

-- **KRASNOYARSK KRAI'S SOSNOVOBORSKII** factory will assemble **MERCEDES** buses in a deal put together by the leadership of the regions involved in the Siberian Agreement association and the World Bank. The plant will begin to produce 1,000 buses a year next year from parts supplied from Turkey. Siberian factories will begin to develop the capacity to produce the parts locally over time. (*Finansovye izvestiya*, 11 September)

ECONOMIC ISSUES

REPORT RANKS TOP TEN BUSINESS REGIONS. A report prepared by the Troika Dialog investment bank listed Moscow, Tyumen, St. Petersburg, Sverdlovsk, Nizhnii Novgorod, Samara, Tatarstan, Chelyabinsk, Irkutsk, and Krasnoyarsk, in that order, as Russia's most successful regions, the *Moscow Times* reported 4 September. According to Natasha Mileusnic, the report's author, it assesses investment opportunities in the regions and serves as a guide for portfolio and direct investors interested in the regions. The rankings are based on five criteria: the local administration's openness to investment, soundness of budget discipline, economic growth prospects, infrastructure, and the affluence of the local population.

The survey contrasts with a ranking of investment potential published at the beginning of the year by Pioneer First and *Ekspert* (<http://www.expert.ru/koi/proekts/regions/tabs/tab11.htm>) That study came up with the following ranking: Sverdlovsk, Moscow Oblast, Moscow, St. Petersburg, Rostov, Samara, Belgorod, Krasnodar, Chelyabinsk, and Saratov. The Pioneer First/*Ekspert* survey considered such factors as resource base, production output, consumer

market, infrastructure, intellectual potential, institutional capacity, and innovativeness. - Robert Orttung

ILLEGAL CAR TAX REVOKED IN VLADIVOSTOK. Despite public outcries and the procurator's protests, the city of Vladivostok attempted for two weeks to enforce its decision to levy taxes on all cars sold in the city, *Vladivostok* reported on 12 September. After only two days, the city was able to collect 80 million rubles (\$14,000) from 35 people. It used the money to pay some of the wage arrears of some city employees. Interestingly, the tax was based on the car's engine size, and not on its market value, which usually depends on the mileage, date of issue, and general wear and tear. Consequently, many buyers had to pay up to a third of their car's value in taxes, while the federal law on taxation specifically stipulates that such a tax cannot exceed 10 percent of the transaction's value.

Business was adversely affected in many car dealerships. Twelve of them reportedly lost up to 80% of their clientele. Some inventive dealers, though, avoided the municipal levy by registering their vehicles in neighboring cities. Finally, on 10 September, Vladivostok Mayor Viktor Cherepkov canceled the controversial tax, as "inconsistent with federal legislation." He proceeded to chastise his deputies for drafting the decree and forwarding it to him. The newspaper asked, given this embarrassing incident, whether the mayor even reads the documents he is asked to sign. A local court is currently considering the accusation of the regional legislature, an ally of Cherepkov's enemy Governor Nazdratenko, that Cherepkov has violated several federal and regional constitutional statutes. - Natan Shklyar

SWEDISH MAGNATE TO INVEST IN NOVOSIBIRSK PLANT. In an apparent effort to scare off other bidders, Swedish billionaire Hans Rausing, the former chairman of Tetra Pak, announced on 4 September his intent to invest \$3 million in the Vinan beverage company, *Novaya sibir* (<http://plato.sr.unh.edu/siberia/>) reported on 8 September. Located in Novosibirsk, Vinan is Europe's largest producer of both alcoholic and non-alcoholic beverages, and the majority of its shares is owned by multiple small-scale investors. The firm is auctioning off 47% of its stock. While about ten other serious contenders have registered with the auction committee, only Rausing has made his bid public so far. Several days prior to his announcement, Vinan's management urged other contenders to back down from competing with Rausing since they would only obtain small portions of the plant's stake. According to the unusual auction rules, Vinan's equity will be distributed among all registered contenders in proportion to their respective bids. - Natan Shklyar

EBRD SMALL AND MEDIUM BUSINESS LOANS IN PRIMORE. As a part of program sponsored by the European Bank for Reconstruction and Development (EBRD), one of Russia's largest banks, Inkombank, is administering loans to small and medium businesses in Primorskii Krai, *Zolotoi rog* reported on 9 September. Inkombank's regional office is running the program and has set up a special department to deal with new clients and a special training program. Loans are only issued for already existing enterprises, and cannot exceed \$150,000. Their annual rate is set at 20% with a term of two years. - Natan Shklyar

FOREIGN TIES

BASHKORTOSTAN TO OPEN REPRESENTATIVE OFFICE IN INDIA. Several of Russia's regions have sought to expand their international standing by circumventing Moscow to open representative offices abroad. Tatarstan has 14 such offices, but is now in the process of downsizing them because of the high costs of maintaining real estate and employees abroad. Bashkortostan supports one office in Austria, but fears that opening more would bust its foreign relations budget. Therefore, the Bashkir government has chosen to grant representative authority to the staff of those Bashkir companies that already have foreign offices, for example "Salavatnefteorgsintez" in China and "Bashneftekhim" in Ukraine. A similar approach is planned for India, Bashinform news agency (<http://igorar.bashinform.ru/win/index.htm>) reported on 12 September.

Bashkortostan-Indian cooperation dates to 1995 when the two sides signed a cooperation treaty which they plan to extend during the upcoming meeting between India's ambassador to Russia and President Murtaza Rakhimov. Aircraft production plays a prominent role in the various areas of cooperation between India and Bashkortostan. India is one of the largest importers of Russian arms and is involved in an extensive (\$7-8 billion) bilateral military cooperation program through the year 2,000. As part of this program, several of Bashkortostan's largest industrial enterprises supply Indian partners with aircraft engines and electronic equipment. Interest in further and more direct cooperation is strong on both sides, the agency reported. - Natan Shklyar

REGIONAL LINKS

Center for Regional Analysis and Forecasting of the President's Russian Academy of State Service (<http://www.region.rags.ru/>). This office studies political and social development in the regions and provides information and analysis to the executive branch. Its web page, still under construction, offers texts of many of the regions' charters and powersharing agreements. It also offers background information on a variety of regions, information on local electoral laws, local press monitoring from the 1996 presidential and local campaigns, and a useful collection of regional links.

REGIONAL PROFILE: ASTRAKHAN OBLAST

Governor: Anatolii Guzhvin

Anatolii Guzhvin is one of the rare regional leaders who had been appointed to office by President Boris Yeltsin in 1991 and was able to secure the position during popular elections in 1996. In the 8 December 1996 gubernatorial race Guzhvin, backed by the pro-governmental Our Home Is Russia movement (NDR) and Grigorii Yavlinskii's Yabloko, beat his only rival, Communist State Duma deputy Vyacheslav Zvolinskii, in the first round by a margin of 52%-40%.

After finishing high school in 1962, Guzhvin started his career as an electrician at a shipbuilding plant in his home-town of Akhtubinsk. In 1975, after graduating from Astrakhan Technical Institute and the Saratov Higher Communist Party School he was recruited to party work, becoming an instructor of the Astrakhan Oblast Communist Party Committee and first secretary of the oblast komsomol organization. In five years, Guzhvin was promoted to first secretary of the Kamyzyak district CPSU branch. In 1985, he returned to the oblast party committee as a secretary and, then, as a second secretary and in two years, with support of the Communist Party, was elected chairman of the oblast executive committee (ispolkom).

In 1990 he won a seat in the Russian Federation Supreme Soviet where he joined the Communists of Russia parliamentary group though his electoral program was more liberal than that of the Communist Party. The same year, Guzhvin was elected as a member of the oblast council and then chairman of the council.

Guzhvin has always been loyal to President Yeltsin and his policies. He opposed the August 1991 coup attempt for which Yeltsin rewarded him with the gubernatorial appointment. Guzhvin also backed the liberal reforms carried out by Yegor Gaidar's government, though he suggested some corrections to minimize their impact on the population. He then backed Viktor Chernomyrdin's appointment as the country's prime minister and in 1995 joined Chernomyrdin's NDR, becoming the leader of the movement's oblast branch. In April 1997 he joined the NDR Political Council.

Other Local Leaders

Chairman of the Oblast Representative Assembly -- Valerii Borodaev, elected in March 1994

Brief Overview

The oblast is located in a Caspian lowland at the mouth of the Volga River. It shares borders with Volgograd Oblast, Kalmykiya, and Kazakstan. Astrakhan Kingdom was conquered by Ivan the Terrible and integrated into the Russian State in 1556. It then began its rapid development as an industrial and trade center. The region's economy peaked during the first decade of the 20th century due to the construction of the Zakaspiiskaya Railroad and the development of the Baku oil fields.

During Soviet times, the regional economy was mostly dominated by fishing and the fish processing industry, shipbuilding, and freight handling. Now, due to environmental problems, the fishing industry is in decline and the regional administration is attempting to reorient the oblast economy toward the extraction of raw materials, in particular oil, gas, and sulfur. The oblast boasts favorable conditions for foreign investment.

Basic Facts

1995 Population (est.): 1,024,300 (0.69% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 0.31%

Agricultural production as percentage of all Russian production (1994): 0.52%

Average personal income index in July 1995: 66 (Russia as a whole = 100)
Price basket index in July 1995: 87 (Russia = 100)
Average back wages owed per person (September 1995): 30,500 rubles (Russian average = 37,100)
Urban population: 67.0% (Russia overall: 73.0%)
Student population (1993): 117 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 22.48%
Percent of population with higher education (1989 census): 9.7% (Russia overall: 11.3%)
Percent of population working in (1993): Industry: 22.8% (Russian average: 29.9%); Agriculture: 14.2% (12.8%); Trade: 10.3% (9.1%); Culture: 11.7% (13.6%); Management: 2.8% (2.3%)
Number of telephones per 100 families (1993): in cities : 28.9 (Russian average: 41.5); in villages: 19.5 (17.2)
According to a 1995 survey by Bank Austria, the oblast is ranked 39th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Zyuganov: 36.54%/47.79% (first round/second round)
Yeltsin: 29.52%/46.85%
Lebed: 16.14%
Zhirinovskiy: 7.16%
Yavlinskii: 6.04%
Turnout: 69.27%/66.50% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 24.05%
Liberal Democratic Party of Russia: 16.36%
Our Home Is Russia: 12.47%
Communists -- Workers' Russia: 6.00%
Women of Russia: 5.52%
Yabloko: 4.01%
Party of Workers' Self-Government: 3.81%
Derzhava: 3.10%
Russia's Democratic Choice: 2.22%
Congress of Russian Communities: 2.05%
In single-member districts: 1 independent
Turnout: 62.02% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 56.92% "No" -- 43.08%

1993 Parliamentary Elections

Liberal Democratic Party of Russia: 17.25%

Communist Party of the Russian Federation: 16.61%

Russia's Choice: 13.73%

Agrarian Party of Russia: 11.90%

Women of Russia: 9.99%

Party of Russian Unity and Concord: 8.16%

Yabloko: 7.92%

Democratic Party of Russia: 5.36%

In single-mandate districts: 2 independent

>From electoral associations: 1 Communist Party of the Russian Federation, 1 Russia's Choice

Turnout: 51.42% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 56.41%

Ryzhkov: 15.27%

Tuleev: 11.58%

Zhirinovskiy: 5.71%

Makashov: 3.55%

Bakatin: 3.43%

Turnout: 74.72% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95* [Russian regions on the eve of 1995 elections], Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam* [Results of the 17 December 1995 elections, regional breakdown], Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995* [State Duma elections 1995], Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii* [Governors of Russia], Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.

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TABLE OF CONTENTS

Breaking News

A Survey of Key Events in Russia's Regions

NEW Success Stories: Samara

Konstantin Titov: Authoritarian Market Reformer

Patterns of Regional Development

Izvestiya reveals Corruption in Kemerovo Oblast Local Government

Communists Criticize Stavropol Governor

Center-Periphery Relations

Yeltsin Makes Concessions to Regional Leaders

Regional Authorities Block Housing Reform

Russian Government Split Over Chechnya Strategy

Central Media View Dagestan Through New Pipeline

Business Briefs

A Weekly Summary of Key Deals in the Regions

Economic Issues

St. Petersburg Banks Unite Against Moscow

Lukoil Pursues Aggressive Regional Expansion

Investment Bluff in Novosibirsk?

Foreign Ties

Concern over Development of Priobskoe Oil Field

Tver Delegation Visits Hungarian Sister City

New American Consul in Yekaterinburg

Regional Profile: Volgograd Oblast

BREAKING NEWS

15 September

-- **SVERDLOVSK** Governor Eduard Rossel has proposed that President Boris Yeltsin name him as the presidential representative in the Ural region. The position of presidential representative in Sverdlovsk Oblast is currently vacant and Rossel has been a strong opponent of Yeltsin's efforts to increase the power of his presidential representatives over the governors, especially in Primorskii Krai. (*Segodnya*, 16 September)

16 September

-- About 200,000 residents of the 450,000 population in the city of **KALININGRAD** lost their drinking water and are unlikely to get it back for at least 10 days. Residents of many parts of the city will only have sea water that is not suitable for drinking in their taps. The problem is a result of a rising flood of sea water into the Pregolya river which feeds into the city's water supply. (*Segodnya*, 17 September)

-- **KHABAROVSK** Governor Viktor Ishaev cut 17 enterprises from the list of those to be privatized in 1998. In doing so he complained that the federal government was not supporting the national economy at a suitable level and did not pay enough attention to the needs of the regions. He noted that a group of "banking and financial groups" were trying to take over strategic properties, including those that make military equipment, and that these groups were not working in the interests of the country or the regions. He accused the federal government of supporting this situation and creating many social and economic problems. (*Segodnya*, 17 September)

17 September

-- During an unofficial visit to Tokyo, retired Lt. Gen. Aleksandr Lebed said that Russia should return the disputed **KURIL ISLANDS** to Japan. Lebed would hand over the islands in 20 years after Japan and Russia sign an official agreement resolving all issues connected to the dispute. (*Segodnya*, 18 September)

-- **MOSCOW** Mayor Yurii Luzhkov named former KamAZ President Nikolai Bekh as his advisor on industrial policy. Bekh led KamAZ through some of its most difficult years, including a devastating fire in 1993. He was replaced by Tatarstan First Deputy Prime Minister Ravil Muratov when Tatarstan's government agreed to take over the firm's debt in exchange for 43% of its stock. Tatarstan officials objected to Bekh's view of the plant as being all-Russian rather than Tatarstani. Luzhkov wants to employ Bekh's experience and contacts in the federal government to turn around the local Moskvich and ZIL auto plants. (*Kommersant-Daily*, 19 September)

18 September

-- **ST. PETERSBURG** Governor Vladimir Yakovlev is taking measures to improve his personal standing with the city's voters. His recent decisions to raise rents and the prices for municipal services, impose more restrictions on kiosk vendors, reduce the number of tram lines, and order strict new leash laws for the city's dogs have made him extremely unpopular. The city

will elect local level legislatures on 28 September and the governor fears that the voting may turn against him. (*Izvestiya*, 19 September)

19 September

-- Criminals looking for ferrous metal temporarily cut off all communications to the city of **VORONEZH**. Using a Zhiguli, the robbers took 74 meters of a copper cable weighing one and a half tons. Copper is valued at 5,000 to 8,000 rubles per kilogram at collection centers that do not ask where the metal came from. Despite the communication workers' pleas, the regional authorities have refused to crack down on the unscrupulous dealers. (*Izvestiya*, 20 September)

-- The **KIROV** Oblast procurator has stopped the privatization of the Kirovo-Chepetskii Chemical Plant, charging that such a step would be illegal (See *IEWS Russian Regional Report*, 11 September). Chemical and radioactive waste are stored on the plant's grounds and local resident's have protested the state's decision to sell off the plant. (*Kommersant-Daily*, 20 September)

22 September

-- First Deputy Governor Aleksandr Batyrev met with the representatives of defense enterprises who marched along the main street of **NIZHNI NOVGOROD**. He said that the newly elected Governor Ivan Sklyarov would make it a priority to support the region's industry. The trade union leaders who organized the march had initially planned to picket the administration building, but after a meeting with Batyrev a week earlier were convinced that the new administration was responsive to their needs (*Odnii strokoi*, <http://www.inforis/n-nov/info/brief/rus/2209.html>). Defense industry workers in **TULA** called off a similar strike after Governor Vasilii Starodubtsev signed a protocol agreeing to pay off wages arrears for 1996 and 1997 and resolve the workers' housing problems. (RIA Novosti, 23 September, <http://ria-novosti.russianet.ru/ruproducts/>).

23 September

-- First Deputy Prime Minister Boris Nemtsov threatened AvtoVAZ, Russia's largest carmaker, with bankruptcy if it did not present a plan for restructuring its debt to the Russian government by 1 October. The plant owes about 3 trillion rubles (\$517 million). Nevertheless, the firm is moving closer to finalizing a deal to begin constructing Opels in Vyborg and eventually at its **SAMARA OBLAST** plant. (*Izvestiya*, 24 September)

-- **NIZHNI NOVGOROD** Governor Ivan Sklyarov announced that the Gorkii Automobile Factory (GAZ) will begin assembling Fiat cars. *Kommersant Daily* noted that now all of Russia's major carmakers have deals to produce light cars with foreign partners. The plant will eventually make 150,000 Fiat Palios and Mareas a year. A joint venture will manage the production, with Fiat and GAZ owning a 41% stake each and the EBRD taking the remaining 18%.

SUCCESS STORIES: Samara

Note to readers: Many of Russia's regions are beginning to take off, while others continue to struggle with their Communist legacies. This week the RRR is launching a new section that will focus intensively on some of Russia's regional success stories in an attempt to explain why some regions are doing better than others. Over time the report will focus on the various political and economic variables that make up the regions' ability to distinguish themselves. A key issue will be whether the successful experience of one region can be transplanted to another.

Beyond the obvious cases of Moscow, St. Petersburg, and Nizhnii Novgorod, Samara Oblast has attracted considerable attention. US Vice President Al Gore and Prime Minister Viktor Chernomyrdin held talks there on 24 September putting the region into the international spotlight once again. Their visit followed the recent visit of the German president. According to a study by Bank Austria, Samara is in first place in terms of minimizing risk for foreign direct investors (Delo [Samara], 2 September). To begin to understand why Samara has done relatively well, we start with a portrait of the governor.

KONSTANTIN TITOV: AUTHORITARIAN MARKET REFORMER

Governor Konstantin Titov, 52, is a strong and self-assured advocate of market reforms who says that he wants to turn Samara into Chicago-on-the-Volga, a city famous through out the world and one capable of attracting investors with little effort. Despite having been in power since August 1991, Titov remains widely popular in his oblast. He won Samara's first gubernatorial elections on 1 December 1996 with the support of two-thirds of the electorate. Voters see him as someone who gets things done since Samara has a better record than most other Russian regions in paying pensions and aid to families with children.

His faithful support for President Boris Yeltsin gives him excellent connections in Moscow as does the respect he has earned as the chairman of the Federation Council's Budget Committee. While Titov recently turned down a chance to serve in the federal government, he is likely to receive more offers. Aleksandr Lebed has said that if he were elected president, he would make Titov his prime minister. Like the retired general, Titov favors a strong style of leadership, readily describing his approach as "55 percent authoritarian." In terms of economic philosophy, Titov claims to be an avid disciple of John Maynard Keynes.

Rejects Communists

Titov spent his early career simultaneously climbing the ranks of the Communist Party and building his credentials as an engineer. After studying at the Kuibyshev Aviation Institute, he worked at the Kuibyshev Aviation Works and then the Kuibyshev Planning Institute, where he led a department by 1988. (Until 1991, Samara bore the name of Bolshevik Valerian Kuibyshev.) During this time he devoted much of his energy to the Communist Party's Komsomol youth organization. However, he became disenchanted with the party after the local

communists discouraged his attempts to enter the Foreign Trade Academy and ended his participation in party activities in the late 1980s.

In Soviet Russia's first contested local elections in 1990, Titov was elected to the Samara city council, whose members made him their chairman. During the August 1991 anti-Gorbachev coup attempt, he made the risky choice of quitting the Communist Party and denouncing the coup plotters. After the coup was defeated, Russian President Boris Yeltsin, hoping to build his authority throughout Russia's regions, named Titov to head the Samara Oblast administration. While relatively obscure before his appointment, Titov has since become widely respected among his constituency.

Admired Authoritarian

As the leader of the Great Volga regional association, Titov has also gained the admiration of the other governors in the Volga economic region. Great Volga is one of eight regional associations in Russia that bring together regional leaders to lobby the federal government on issues of local concern. Despite this cooperation, there is naturally some competition between Samara, Saratov, Nizhnii Novgorod, and their neighbors in attracting the interest of outside investors.

Observers often accuse Titov of using an authoritarian style of management. In late 1993, he created an association to support reforms that is said to be funded by the largest banks and enterprises in the region. The association signed a "cooperation agreement" with several local newspapers which screened candidates running in the 1994 local elections for loyalty to Yeltsin and Titov. The newspapers then supported the appropriate candidates, while obstructing Titov's opponents. Titov's control of the media borrows from the similar approach of Moscow Mayor Yurii Luzhkov.

Party Hopping

After quitting the Communist Party, Titov has been a member of several political organizations, usually backing those which were the most influential at a particular time. In early 1993, he joined the newly constituted Russian Movement for Democratic Reforms and was a member of its Political Council. But, after its poor showing in the 1993 parliamentary election, Titov switched his allegiance to Yegor Gaidar's Russia's Choice, at that time the "party of power" with the largest number of seats in the State Duma, the parliament's lower house. In June 1995, at Gaidar's advice, he joined the most recent incarnation of the party of power -- Prime Minister Viktor Chernomyrdin's Our Home Is Russia (NDR) movement. He is now NDR deputy chairman and the head of the Samara regional branch (which today numbers slightly under 4,000 members, approximately the same as the regional Communist Party organization). He explained the decision to become a member of NDR by pointing out that refusing to join the prime minister's party would have harmed his constituents' interests, depriving them of Chernomyrdin's and Yeltsin's benevolence.

While remaining loyal to Yeltsin, Titov is not afraid to speak his mind. At a recent NDR regional congress, he slammed the movement's program and the government's overall policies.

He claimed that both NDR and the government were destroying the country's economy by not giving more support to domestic producers. He argued that Lebed's program did a much better job of protecting Russia's industry and that if the government did not move closer to Lebed's position, Lebed would be likely to win the next presidential elections. He has also accused the federal government of being too conservative and blocking the continuation of reforms.

Though Titov repeatedly says that he would never agree to join the federal government, even as prime minister, he clearly hopes to hold federal office some day. Unlike former Nizhnii Novgorod Governor Boris Nemtsov, who is now serving as first deputy prime minister, Titov is for the time being content to continue building his reputation as the head of one of Russia's leading regions. - RRR Editors

PATTERNS OF REGIONAL DEVELOPMENT

IZVESTIYA REVEALS CORRUPTION IN KEMEROVO OBLAST LOCAL GOVERNMENT. In an explosive piece of investigative journalism, *Izvestiya* (September 17-19) drew a detailed picture of corruption and crime in the government of Leninsk-Kuznetskii, a city of 140,000 in Kemerovo oblast. Citing the case as only one documented example of the pervasive problem of the criminalization of state institutions throughout the country, the newspaper told the story of one thief's spectacular rise to power, as well as the conditions that made it possible.

Gennadii Konyakhin, 38, was born and raised in the small mining town of Leninsk-Kuznetskii, where he began his criminal career. The crimes he committed eventually resulted in several convictions for theft, robbery and fraud leading ultimately to a prison term. Upon his release, Konyakhin immediately launched into entrepreneurial activity, opening a network of liquor stores, often breaking the law, but always safe under the patronage of the city's mayor at that time. His connections in high places also allowed Konyakhin to purchase several pieces of prime real estate at give-away prices while evading the prosecutors' efforts to hold him accountable. By the spring of 1997 he owned an extensive network of retail kiosks, gas stations, a large market, and a department store under the umbrella of the "Megapolis-Invest" holding group. His net worth was estimated at 3 billion rubles (\$520,000).

Konyakhin's rise from rags to riches was accompanied by ruthless face-offs with other criminal groups, allegedly including many gruesome murders. From the very beginning, though, he realized that to profit in business, he needed political power. After failing to gain a spot in the oblast legislature in December 1996, Konyakhin won election as Leninsk-Kuznetskii mayor in April 1997. Running an openly populist campaign, he portrayed himself as a savvy entrepreneur, able to solve the city's problems. He accused municipal leaders of corruption and promised to expose and convict them if elected. Additionally, he promised to find the money to pay wage arrears and to fight crime in the city. The uninspiring competition, composed of the "business as usual" bureaucrats who had time and again demonstrated their inability to deal with local problems, also boosted Konyakhin's bid, as did his tactic of lowering food prices in his stores on the eve of the election. He won with nearly 30% of the popular vote in the city's "first-past-the-post" electoral system.

Solving municipal problems, though, depended on first filling the city's coffers. Having experienced a sharp decline in productivity, local enterprises could not pay their taxes and the city was only collecting 20 percent of its due. Konyakhin approached the problem like a typical racketeer. He issued a decree requiring all large and small firms to pay the city budget 50 million rubles and 20 million rubles, respectively. If implemented, this decree would have not only solved the city's budgetary crisis, but would also have put many small firms competing with Konyakhin's own chain of stores out of business. The situation was aggravated by the well-known fact that Konyakhin's own "Megapolis-Invest" owed 1,3 billion rubles (\$225,000) in local taxes.

Konyakhin's term of office was marked by other egregious abuses of power, *Izvestiya* claimed. In one instance, a group of his thugs tried to intimidate the management of a milk-processing plant out of their stock shares. In another example, state-owned vehicles were sold to Konyakhin's alleged cronies for artificially low prices. Furthermore, in another direct violation of rules, the mayor ordered all government and government-affiliated agencies to fill their cars' tanks at his gas stations. A construction company competing with one of his own was unlawfully inspected, causing a loss of contracts and profits. Finally, strong evidence of the mayor's involvement in the contract killing of several people emerged during the newspaper's investigation.

Until the case received national attention, local law-enforcement agencies were paralyzed. Municipal courts dismissed cases against Konyakhin's dealings, allegedly because of the judges' connections to the Konyakhin group. A similar situation reigned in the police force--many of the officers were either waiting out the situation or openly siding with the corrupt politician and his appointees. The lack of support blocked any attempt by the prosecutors to investigate the mayor. As *Izvestia* described it, the city of Leninsk-Kuznetskii is pervaded by fear and a sense that criminal groups have gained legitimacy by merging with the state apparatus and that legal order and civil rights have been displaced by blackmail and criminal dictatorship.

Several days after the expose was published in *Izvestia*, an outraged President Boris Yeltsin ordered the Prosecutor General to cooperate with the Ministry of the Interior and the Federal Security Service (FSB) to jointly investigate the situation in Leninsk-Kuznetskii. Furthermore, Yeltsin proclaimed on TV his intent to conduct a "harsh policy" against the criminalization of state institutions and push for legislation limiting the rights of former convicts to run for political offices. Simultaneously, Kemerovo governor Aman Tuleev stated that he has always been against allowing convicted criminals run for public office. He was also quoted by the RIA News agency as saying that "only the partial truth has been reported, and the reality is even more frightening."

The official crackdown has raised some concern, however. The popular Ekho Moskvy radio commentator Andrei Cherkizov charged on 22 September that Yeltsin's heated remarks were unconstitutional and violated the presumption of innocence.

Reacting defensively, the media in Leninsk-Kuznetskii launched a publicity campaign against investigators from the Center. Local TV reports and press coverage have been loudly boasting about the successes achieved by Konyakhin during his mayoral tenure. Furthermore, accusations have been voiced against *Izvestia* as an instrument in the hands of those corrupt bureaucrats whom Konyakhin had thrown out of power. What is most disturbing, though, is

that open statements have been made about the rising mass support for the populist mayor, especially among miners. Konyakhin himself has made remarks that could be interpreted as an open challenge to Governor Tuleev. Pundits are already arguing that the candidate in the October gubernatorial election who sides with Konyakhin could count on the miners' votes, *Izvestiya* reported. - Natan Shklyar

COMMUNISTS CRITICIZE STAVROPOL GOVERNOR. First Secretary of the Stavropol Krai regional branch of the Communist Party Yurii Burlutskii had harsh words for Governor Aleksandr Chernogorov in his speech to the third plenum of party's regional committee, *Vechernii Stavropol* reported 9 September. Chernogorov won the November gubernatorial campaign with help from the Communist party, but now the local comrades are unhappy with Chernogorov's independent position. Burlutskii mentioned numerous "mistakes" in some of Chernogorov's personnel appointments, noting that many of his choices did not share the Communists' views or support their platform. He also accused the appointees of deriving personal gain from their positions. Burlutskii did not name who exactly he had in mind. Chernogorov has stressed that he values an individual's talents over his political leanings. - Robert Orttung

CENTER-PERIPHERY RELATIONS

YELTSIN MAKES CONCESSIONS TO REGIONAL LEADERS. In a 24 July address to the Federation Council, the upper house of Russia's parliament, Yeltsin made a major concession to Russia's regional leaders by offering to change the way that taxes are collected. Now companies will pay regional taxes based on where their plants are located rather than where they are registered. Many regional firms are registered in Moscow, so the capital gets the tax revenue they generate. Regional leaders have complained repeatedly about the income they lose because of this arrangement. The president also publicly promised to reduce the role of powerful bankers in the economy by strengthening the hand of the federal government.

In the speech, Yeltsin criticized governors for interfering in the work of local governments on their territories. He also accused them of meddling in the affairs of federal authorities, such as presidential representatives, working in the regions. By hindering federal employees, he warned, regional leaders were violating the constitution.

Kaluga Governor Valerii Sudarenkov said that he supported 90% of what Yeltsin said. He particularly applauded the president's call for strengthening the role of the state in the economy (RIA Novosti, 24 September). - Robert Orttung

REGIONAL AUTHORITIES BLOCK HOUSING REFORM. At its meeting on 18 September the government discussed the progress made in the housing reform launched by First Deputy Prime Minister Boris Nemtsov in April of this year. Under the plan state enterprises were to be encouraged to divest themselves of housing stock, while at the same time local authorities were encouraged to raise utility prices and cut spending on housing. However, the government was told that housing subsidies will still cost some 100 trillion rubles (\$17 billion) this year - more than the federal government's spending on health and defense combined. In

many regions local utility companies are not raising prices, and "In many places residents have begun a civil war against the water, heat and electricity meters being installed." (*Izvestiya* 19 September) The government admitted that its power to regulate natural monopolies and implement its agenda for housing reform is restricted by the de facto powers of regional authorities. Most regional governors have been critical of the reform from the outset, so this result is hardly surprising. Also last week Georgii Limanskii, the mayor of Samara, announced that he was cutting rents in that city. In July Limanskii was elected as the replacement for former mayor Oleg Sysuev, who was appointed deputy prime minister in charge of social issues and who is Nemtsov's right hand man in the struggle to promote housing reform. (*Novaya gazeta*, 15 September) - Peter Rutland

RUSSIAN GOVERNMENT SPLIT OVER CHECHNYA STRATEGY. Last week First Deputy Prime Minister Boris Nemtsov, who is also Minister of Fuel and Energy, announced that his ministry is moving ahead with plans to build a new pipeline which will bring oil from Azerbaijan to the Black Sea port of Novorossiisk while bypassing Chechnya. This move came in response to the problems Moscow has encountered in trying to agree to the terms for reopening the existing pipeline across Chechnya. The new 280-kilometer pipeline will go through Dagestan and Stavropol krai, and may cost \$220 million to build.

The new oil pipeline fits a pattern under which other Russian agencies have been quietly building new infrastructure in order to reach Dagestan without going through Chechnya. The electricity monopoly Unified Energy System (EES) is in the process of building a new direct power line to Dagestan (Chechnya itself owes them 283 billion rubles [\$48 million] for unpaid past deliveries). On 12 September trains started running along a new 80 kilometer railway track direct to Dagestan, which has been built in just eight months at a cost of 1 trillion rubles (\$170 million). Construction began after a series of robberies and armed clashes on trains running from Rostov to Dagestan across a corner of Chechen territory.

These steps, which amount to the economic separation of Chechnya from the Russian Federation, are opposed by Security Council Secretary Ivan Rybkin and his deputy, Boris Berezovskii, who have been trying to use the promise of renewed oil flows as a carrot to persuade Chechnya to at least maintain the pretense that it is still part of the Russian Federation (*Nezavisimaya gazeta*, 16 September). Rybkin seems to be on the losing side of the argument. Last week Russian Deputy Prime Minister Ramazan Abdulatipov openly admitted that Chechnya will never sign a treaty saying that it is a component of the Russian Federation - the first time that any Russian government official had made this point (*Nezavisimaya gazeta*, 17 September). - Peter Rutland

CENTRAL MEDIA VIEW DAGESTAN THROUGH NEW PIPELINE

By Eduard Urazaev, *Novoe Delo*

MAKHACHKALA - The central media have been focusing on Dagestan since Moscow decided to build a pipeline across its territory to circumvent Chechnya. As the First Deputy Prime Minister Boris Nemtsov has stated, the new branch of the pipeline will be 284 kilometers

long and will cost \$220 million to build. The government of Dagestan has yet to state its opinion on the deal.

According to a report on Russian Public Television last week, the Dagestani leadership and oil-producers understand both the opportunities and dangers presented by the pipeline project. On one hand, the republic stands to benefit economically from the project through the creation of new jobs and the associated inflow of capital. Such benefits are very important in the light of Dagestan's high unemployment rate and dire economic state. On the other hand, central commentators suggested that the pipeline should be built as far as possible from those districts of Dagestan populated by the allegedly irredentist ethnic Chechens. Additionally, the commentators recommended tightening the passport regime between Chechnya and Dagestan to insure the security of the new pipeline. The TV program's anchor emphasized that the pipeline will increase Dagestan's importance for Russia, especially coupled with the recent promise of the Russian government to help the republic win \$300 million worth of foreign investments.

In contrast to the TV coverage, the Russian press focused on entirely different problems facing Dagestan. For example, *Kommersant* weekly magazine (no. 31) wrote that contrary to the widely held view, it is not the Chechen separatists that threaten Russia's integrity, but rather the local Wahhabi Muslim fundamentalists. They are armed, educated, and united by the idea of an Islamic republic on Chechen and Dagestani territory. In another example, *Nezavisimaya gazeta* published an article last week analyzing Dagestan's internal politics which concluded that imposing a presidential form of government on the republic will lead to more conflicts among different clans and ethnic groups. (Dagestan currently has a collective executive representative of all ethnic groups.)

The pro-Communist *Sovetskaya Rossiya* commented that building the pipeline around Chechnya through Dagestan leaves the root of the Chechen problem unresolved. Finally, the national-patriotic newspaper *Zavtra* (no. 35) suggested that Dagestan will shortly turn into the next "hot spot" on Russia's map. The authors claim that some of Dagestan's small ethnic groups are aligning themselves with Chechen terrorist groups, who plot to cut Russia off from its Caspian oil reserves at the instigation of Turkish and American emissaries.

As the above review demonstrates, there is a growing sentiment in Moscow that a large-scale conflict in Dagestan is inevitable. One can see how an outsider can develop such an impression, given the rise in murders and kidnapping in Dagestan. Of course, most incidents are highly localized and do not reflect long-term trends or deeper problems. However, it is also known that quantity eventually translates into quality, and the deterioration of the situation toward lawless violence is quite possible.

BUSINESS BRIEFS

-- A delegation from **CATERPILLAR** visited the **CHELYABINSK TRACK FACTORY** and the **KOLYUSHCHENKO ROAD VEHICLE FACTORY** at the end of August to discuss possible cooperation. Caterpillar's sales in Russia have dropped over the past eight years from 140,000 vehicles per year to 12,000. With much lower prices, the Chelyabinsk factories are Caterpillar's main competitor and the Americans hope that the companies can join

forces. The sides discussed building a plant to produce automatic loader kits for Caterpillar's European factories and spare parts for Caterpillar's American products which are being used in Russia. Now, only plants in Cheboksary, **CHUVASHIYA** and **ST. PETERSBURG** are making parts for Caterpillar. By the end of the year, Caterpillar will give the Chelyabinsk factories the rights to serve as dealers for its equipment. Caterpillar hopes to increase its sales to 30,000 vehicles a year. (*Delovoi Ural* [Chelyabinsk], 28 August-3 September)

-- The prices for **YAROSLAVL OBLAST'S RYBINSK MOTORS'** stock are going up on rumors that the government is about to sell its 37% stake in the firm. Both **UNEKSIMbank--MFK** and **Alfa-Kapital** are said to be interested in acquiring a controlling interest. The company's best known product is the D-30 KU/KP engine for Tu-154M and Il-76 aircraft. (*Kommersant-Daily*, 16 September) The plant is also planning to diversify its production, by producing gas turbines for energy stations to compete with such foreign firms as ABB, Siemens, and General Electric, who have taken advantage of the vacuum on the Russian market to sell their own products. (Radio Mayak, 17 September)

-- **HYUNDAI** has plans to assemble its cars at four different sites in Russia, allowing it to supply much of the country. It has just signed a deal to assemble Lantras, Accents, and Sonatas in **KRASNODAR**. In five years, the plant will have an annual capacity of 50,000 cars. Additionally, it will soon begin to assemble its Accent and Sonata models at the Khimeksmash plant located in **SARATOV OBLAST'S** Balakovo. Initially, the plant will assemble 10,000 to 15,000 cars a year, with production rising to 100,000 a year by 2005. The proportion of local parts will also increase over time. In August the Korean car maker reached agreement to assemble its Accent model at **UDMURTIYA'S** Izhavto. Additionally, it will assemble the off-road Galloper in Barnaul, **ALTAI KRAI** as well as the Lantra, Accent, and the H-100 microbus. (*Kommersant-Daily*, 16 September)

-- The Swedish firm **SIOWALLS AB** has ordered four container Ecoships from the **ST. PETERSBURG** plant **BALTIISKII ZAVOD** at a cost of \$70 million. The ships, intended for transporting logs in the Baltic Sea, have a new design that reduces resistance in the water and pollution. The factory has enough orders for the next five years and can hire 1,500 to 2,000 new workers. (*Kommersant-Daily*, 16 September)

-- The South Korean **SAMSUNG AEROSPACE INDUSTRIES** has ordered a second Mi-26 helicopter, the largest transport helicopter in the world, from the **ROSTOV** Helicopter Factory. Samsung will help sell the aircraft in the Pacific region. (*Kommersant-Daily*, 18 September)

-- The Canadian **PAN AMERICAN SILVER CORPORATION** announced its intention to participate in a competition for the rights to exploit the **MAGADAN OBLAST'S** Dukat gold and silver deposit. A second Canadian firm, **SILVER STANDARD RESOURCES INC.**, may compete for the rights as well. The site is thought to contain up to two-thirds of Russia's reserves. (*Segodnya*, 19 September)

-- The British company **SIR ROCCO FORTE & FAMILY LTD.** bought a 25% share in **ST. PETERSBURG'S** Astoria Hotel Complex for approximately 20 billion rubles (\$3.4 million). The British company will invest \$7.05 million in the hotel over the next eight years. The city's property fund is planning to sell an additional 35% share. (*Segodnya*, 19 September)

-- **MORGAN STANLEY** will organize **CHELYABINSK OBLAST'S** \$250-\$300 million Eurobond issue this year. (*Segodnya*, 18 September)

-- The **VOLGOGRAD SHIPBUILDING FACTORY** has begun working on the first of 10 super tankers for LUKoil. The ships will transport oil from Baku to Astrakhan and Volgograd. The ships will have the capacity of 3,800 tons in rivers and 6,400 tons in the ocean. The factory hopes to finish production of the whole flotilla by 2001. The overall contract is worth \$100 million. (*Izvestiya*, 19 September)

-- At the IMF's insistence, the Russian government has revoked the considerable tax credits granted to the joint venture between the **YELABUGA AUTOMOBILE PLANT** in **TATARSTAN** and **GENERAL MOTORS**. The venture had been given a quota on selling oil abroad to finance the construction of an assembly line while material for the plant and kits to build Chevrolet Blazers had been freed from import duties for five years. The consequences of the move are still unclear (Russian Public Television, 19 September). The plant has already sold 800 of the Blazers this year, and plans to assemble 2,500 by the end of the year. (Radio Rossii, 17 September)

-- The German airline **LUFTHANSA** is negotiating to lease or buy 10 medium-range Tu-204-120s to use as cargo planes from Siroco Aerospace International. The planes will be produced at **ULYANOVSK'S** Aviastar plant with Rolls-Royce engines and Honeywell-Allied Signal avionics. The deal would be first time a western airline has bought Russian planes. Aviastar produced just one airplane last year. It has signed a deal to lease 10 Tu-204s to KrasAir, a Krasnoyarsk based airline. With a price tag of \$35 million, the passenger version of the plane is cheaper than an analogous Boeing 757, which costs between \$50 million and \$60 million. (*Moscow Times*, 18 September)

-- A consortium of firms has purchased 75% of the **BOR GLASS FACTORY**, Russia's largest glass maker, located in **NIZHNI NOVGOROD OBLAST**. The Belgian firm **GLAVERBEL NV** purchased 26% of the firm, the **EBRD** took 19.3%, the **INTERNATIONAL FINANCE CORPORATION** 19.3%, **ALFA-CAPITAL** 7.9% and managers of the plant, 2.3%. The Belgians paid \$20 million for the stock and will invest \$100 million in the plant over the next five years. The firm is currently profitable and its 6,000 workers make 1,060 tons of glass a day. Profits were \$6 million on sales of \$100 million in 1996. (*Finansovye izvestiya*, 22 September)

-- In the first economic link between Malaysia and **KHABAROVSK**, the **RIBMUNAN HIDJAU GROUP** is investing \$100 million in a plant to process timber on the floodlands of the Bichi River. Most of the money will go toward purchasing equipment for logging operations that will produce 500,000 cubic meters of timber a year. (RIA Novosti, 22 September)

-- **ROTHMANS INTERNATIONAL** will build an \$80 million factory in **ST. PETERSBURG** to produce 6 billion cigarettes a year. (*Segodnya*, 24 September)

ECONOMIC ISSUES

ST. PETERSBURG BANKS UNITE AGAINST MOSCOW. Promstroibank, St. Petersburg bank, and Petrovskii bank created a new closed stock partnership named Bankers' House of St. Petersburg (Bankirskiy Dom St. Petersburg) on 17 September in Russia's northern capital. The creation of the new entity signifies that previous conflicts and squabbles within the city's financial community have at least temporarily come to an end. This new development is important for the larger process of streamlining various banking activities in the city and providing cohesion in financing larger projects. Additionally, this action marks an effort on the part of St. Petersburg bankers to stand up to competition from the local branches of large Moscow banks.

The St. Petersburg city administration supports this partnership since the policies of Moscow banks are often dictated by their headquarters in the capital and rarely take into account the interests of St. Petersburg. For example, Moscow banks prefer to finance profitable export-import operations, while local banks usually finance municipal programs. One such program is construction of more apartment buildings.

Chairman of Promstroibank's advisory panel Vladimir Kogan was elected President of Bankirskiy Dom St. Petersburg, and President of Petrovskiy bank Yurii Golovin became the new entity's Executive Director. President of St. Petersburg bank Yurii Lvov was tasked with overseeing investment projects and international programs. The new entity is not a merger, however, as it leaves the separate legal status of the three founding banks intact. Plans to sign a strategic partnership agreement between Bankirskiy Dom St. Petersburg and the city government are already under way. -- Valeri Ianovski in St. Petersburg

LUKOIL PURSUES AGGRESSIVE REGIONAL EXPANSION. LUKoil, Russia's largest and oldest oil company, is aggressively expanding into Russian regions beyond its traditional sphere of influence. When Russia's oil companies were created in 1992, they essentially divided up the territory of the country among themselves. Now, LUKoil is moving into regions previously dominated by others.

LUKoil's traditional field of influence was Perm, Volgograd, Chelyabinsk, Vologoda, Kirov, and Astrakhan oblasts and the republic of Adygeya. Now it is expanding into regions where it will find large markets for its products and where it can set up deals with the country's major enterprises. It has now signed about 30 such agreements, *Kommersant-Daily* reported 20 September. Its reach ranges from Kaliningrad to Sakha and Dagestan.

Regional leaders are interested in signing deals with LUKoil because they believe that the presence of an additional oil company on their territory will improve the supply of oil products and lower prices. They also believe that the firm will create new jobs and generate new tax revenue for regional budgets.

LUKoil's latest target is Udmurtiya, the traditional home of SIDANKO. SIDANKO officials say that they are not worried about losing market share. LUKoil's spokesman claim that the two companies won't really be competing because LUKoil does not want to extract oil in the republic. SIDANKO is already active in this area. - Robert Ortung

INVESTMENT BLUFF IN NOVOSIBIRSK? Seven undisclosed bidders bought 10% of the state's share in the Vinap (not Vinan as reported earlier) beverage plant auction for 6.8 billion rubles (\$1.2 million), according to *Novaya Sibir* (No. 67) (see *IEWS Russian Regional Report*, 18 September 1997). Swedish billionaire, and former chairman of Tetra Pak, Hans Rausing, had announced his intent to invest \$3 million in Vinap, in an apparent effort to discourage other potential bidders. According to the auction rules, Vinap's equity was to be distributed among all registered contenders in proportion to their respective bids. Because the sum total of the winning bids amounted to only 6.8 billion rubles, less than half what Rausing had promised to invest by himself, a *Novaya Sibir* journalist speculated in a phone interview that either Rausing's bid was a bluff from the very beginning, or the winning seven bidders are actually his fronts. - Natan Shklyar

FOREIGN TIES

CONCERN OVER DEVELOPMENT OF PRIOSKOE OIL FIELD. Both the Yukos and Amoco oil companies have denied rumors that their relations have been ruptured and both stress that negotiations on the development of the Priobskoe oil field in the Khantii-Mansii Autonomous Okrug are continuing, though neither side was willing to provide details, *Finansovaya izvestiya* reported on 18 September. Officials from the American Chamber of Commerce in Moscow recently mentioned the case as one of the ones to watch in the development of business relations between the US and Russia.

Discussions of the project began in 1992. The project is expected to cost \$30-50 billion and produce more than 600 million tons of oil. Investors hope that it will generate \$87 billion overall, with \$65 billion going to the Russian government, and \$11 billion each to Amoco and Yukos. The Western press has recently printed rumors that the deal was falling through, but *Finansovye izvestiya* notes that both sides have a very strong interest in making sure that it goes ahead. - Robert Ortung

TVER DELEGATION VISITS HUNGARIAN SISTER CITY. A delegation of Tver politicians and businessmen visited their Hungarian sister-city, Kapoczwar, to participate in an international trade-exhibition entitled "From the Alps to the Adriatic" during the week of 15 September. Ten countries participated in the fair. The delegation was led by Deputy Mayor Sergey Nikulin and exhibited products from several local plants, including Tver Manufacture, Tver Bread, Tver Toys, Maria, Tver Flax, Tver Embroidery, Thermoplast, and Zentrosvar.

Tver embroidery and rye bread were a big hit at the show. Additionally, the Thermoplast company signed a contract with Hungarian partners to engage in technology exchanges. Zentrosvar will produce a special railway car spring that was previously made in Germany for a Hungarian firm. Tver Manufacture and Hungarian producers of fashion clothing from Kapoczwar have started negotiations on a new contract. Additionally, the chambers of commerce in the two cities signed a treaty of cooperation. - Boris Goubman in Tver

NEW AMERICAN CONSUL IN YEKATERINBURG. Daniel Rassel, the new US consul in Yekaterinburg, announced in the beginning of September that one of his mission's priorities would be supporting entrepreneurship in the middle Urals. There are more than 50 Russian-American joint ventures in the oblast and the US has had a consulate in Yekaterinburg for four years. During that time, it has issued 7,000 visas to residents of the Ural region and more than 400 Ural entrepreneurs have participated in exchange and study programs in the USA. Rassel noted that Sverdlovsk Oblast Governor Eduard Rossel is happy with the region's participation in the work of the Gore-Chernomyrdin Commission. Of the 42 projects selected by the commission, eight were developed in the Urals region. - Dmitry Strovsky in Yekaterinburg

REGIONAL PROFILE: VOLGOGRAD OBLAST

Governor: Nikolai Maksyuta

Nikolai Maksyuta was elected oblast governor on 22 December 1996 with the support of opposition Popular-Patriotic Union of Russia (NPSR). In the second round of the election, he received slightly under 51% of the vote, defeating ex-governor Ivan Shabunin by a small 7% margin.

Maksyuta, 50, was born in the village of Zakharovka in Ukraine. After graduating from the Nikolaev Shipbuilding Institute, he was sent to the Volgograd Shipbuilding Works, where he worked his way up from being the head of a production unit to general director by the beginning of the 1990s. In 1994, he was elected to the Volgograd City Council and then was chosen as its chairman. Maksyuta's first action in his new position was to restore the council's Communist-era name, the Soviet of People's Deputies. During the 1996 presidential race, Maksyuta was an aide to Gennadii Zyuganov.

Other Local Leaders

Chairman of the Oblast Duma -- Leonid Semergei, elected in January 1994, member of the Our Home Is Russia's Political Council

Brief Overview

Large numbers of migrants moved to the plain between the Volga and Don rivers in the 18th century. The new residents included Ukrainians, Russians from western parts of the country, and Germans. The town of Tsaritsyn, which started as a fortress in a line of other forts on Russia's southern border evolved into a large transportation hub. In the end of the last century, it

also became one of the country's industrial centers. In 1925 Tsaritsyn was renamed Stalingrad, a name that became famous during World War II when the Soviet Army had its first significant victory over the Nazis there. The city and oblast were named Volgograd in 1961 when the dictator fell out of favor.

The oblast is part of the Volga economic region and shares borders with Voronezh, Saratov, Astrakhan, and Rostov oblasts, the Republic of Kalmykiya and Kazakstan. It is rich in raw materials, including oil, gas, salts, and phosphors. Though oil extraction has gradually decreased over the last few years, the oblast still ranks 15th among the country's regions in terms of oil production. The region has a highly developed industrial base, including machine building, oil and chemical industries, ferrous metallurgy, and light and food industries. Industry makes up 75% of the region's GDP. Tractors, pipes, and steel are the oblast's major products. Raw oil, oil products, ferrous metals, aluminum, chemical products, machines, and equipment are the major exports. Though the region has an extremely unfavorable climate for agriculture, the oblast grows wheat, corn, rice, grapes, tomatoes, fruits and vegetables.

Basic Facts

1995 Population (est.): 2,694,500 (1.82% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 1.57%

Agricultural production as percentage of all Russian production (1994): 2.29%

Average personal income index in July 1995: 60 (Russia as a whole = 100)

Price basket index in July 1995: 94 (Russia = 100)

Average back wages owed per person (September 1995): 58,200 rubles (Russian average = 37,100)

Urban population: 74.3% (Russia overall: 73.0%)

Student population (1993): 139 per 10,000 (Russia overall: 171/10,000);

Pensioner population (1994): 25.51%

Percent of population with higher education (1989 census): 9.7% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 27.7% (Russian average: 29.9%);

Agriculture: 19.0% (12.8%); Trade: 9.0% (9.1%); Culture: 10.5% (13.6%); Management: 2.1% (2.3%)

Number of telephones per 100 families (1993): in cities : 31.4 (Russian average: 41.5); in villages: 15.8 (17.2)

According to a 1995 survey by Bank Austria, the oblast is ranked 26th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Zyuganov: 40.04%/44.21% (first round/second round)

Yeltsin: 28.59%/44.21%

Lebed: 13.65%

Zhirinovskiy: 6.55%

Yavlinskii: 6.43%

Turnout: 71.88%/69.49% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 28.13%

Liberal Democratic Party of Russia: 14.72%

Our Home Is Russia: 9.14%

Yabloko: 6.72%

Party of Workers' Self-Government: 4.88%

Communists -- Workers' Russia: 4.23%

Congress of Russian Communities: 3.97%

Agrarian Party of Russia: 3.48%

Women of Russia: 3.37%

Russia's Democratic Choice: 2.23%

In single-member districts: 3 Communist Party of the Russian Federation,

1 Agrarian Party of Russia

Turnout: 65.13% (Russia overall: 64.37%)

1993 Constitutional Referendum

Yes -- 47.18% No -- 52.82%

1993 Parliamentary Elections

Liberal Democratic Party of Russia: 27.67%

Communist Party of the Russian Federation: 14.42%

Russia's Choice: 11.86%

Agrarian Party of Russia: 10.90%

Yabloko: 9.53%

Women of Russia: 7.59%

Party of Russian Unity and Concord: 5.84%

Democratic Party of Russia: 5.19%

In single-mandate districts: 3 independent, 1 Yabloko

>From electoral associations: 2 Agrarian Party of Russia, 1 Communist
Party of the Russian Federation, 1 Russia's Choice, 1 Women of Russia

Turnout: 53.46% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 55.69%

Ryzhkov: 16.85%

Zhirinovskiy: 9.07%

Tuleev: 5.7%

Bakatin: 3.83%

Makashov: 3.19%

Turnout: 73.26% (Russia overall: 76.66%)

Sources: Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections], Moscow: Yuridicheskaya Literatura, 1995; Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown], Moscow: Panorama, 1996; Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995], Moscow: Central Electoral Commission, 1996; Gubernatory Rossii [Governors of Russia], Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: Regional Risk Rating in Russia, Vienna: Bank Austria, 1995.

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TABLE OF CONTENTS

Breaking News

A Survey of Key Events in Russia's Regions

Center-Periphery Relations

Yeltsin Signs Law on Local Government Financing

Luzhkov Wants Power Sharing Treaty for Moscow

Yeltsin Rehabilitates Former Nizhnii Mayor

Patterns of Regional Development

Primore Energy Crisis Deepens...

... While Merger Plans Remain Frustrated...

...Amid On-Going Political Scandal

Kemerovo Corruption Scandal Update

St. Petersburg Local Elections Suffer Low Turnout

Success Stories: Samara

Avtovaz Struggles with Huge Debt Problems

Economic Issues

American Technology for Tver Construction Workers

Kimri: Russia's Ginseng Capital

Novosibirsk, Sidanko Agree on Oil Investment

Business Briefs

A Weekly Summary of Key Deals in the Regions

Foreign Ties

Philips in Novosibirsk Oblast

TWG Faces Trouble at Lipetsk Plant

Rossel Visits Japan, Announces Investor Tax Holidays

Regional Profile: Republic of Marii El

BREAKING NEWS

24 September

-- The **AMUR OBLAST** Tax Police seized 6 billion rubles worth of property at the Zee Hydroelectric Plant. The plant is bankrupt since it owes 300 billion rubles (\$52 million) to the government, while its customers owe it just 150 billion rubles. The plant sells energy at the rate of 60 rubles for a kilowatt-hour to Amurenergo and Dalenergo, who then resell it for 400 to 1,000 rubles. Although the plant has worked through the most difficult periods of the energy crisis in the far east, the property seizure has shut some of its day to day operations and a workers' strike could cut its capacity by one third. The Unified Energy Systems (EES) is already planning to cut electricity supplies to Amur by 20% beginning next week. (*Izvestiya*, 27 September)

25 September

-- The largest oil refinery in the North-West region, Kirishinefteorgsintez, has shut down for the first time in 30 years and is likely to cause a shortage of gasoline in **ST. PETERSBURG** and other regions in the area (**PSKOV, LENINGRAD, NOVGOROD, KALININGRAD, MURMANSK OBLASTS** and **KARELIYA**). Oil that was intended for the plant was redirected to Central Russia and Moscow where there was a spike in demand at the end of the summer. Moscow recently experienced a shortage of gasoline that caused an average price increase of 10-15%. The refinery is expected to be idle for at least a week. (*Kommersant-Daily*, 26 September)

-- The Russian government approved the South Korean government's plan to set up a Russian-Korean industrial complex in the **NAKHODKA FREE ECONOMIC ZONE**. The complex is expected to include production facilities of more than 100 South Korean firms with a yearly turnover of \$2 billion. The **PRIMORSKII KRAI** administration will hand over 330 hectares to the Koland development company under a 40-year rent agreement. Each of the firms working in the area must export 40% of its products. The firms will benefit from extensive tax breaks. (*Kommersant-Daily*, 26 September)

-- Submarine builders in **ST. PETERSBURG** picketed the federal building in the city demanding payment of back wages. Employees of the Vektor research institute have not been paid in 15 months. Presidential representative Sergei Tsyplyaev told the protesters that the federal government had set aside 8 billion rubles for them, but acknowledged that it wasn't enough. The protesters did not make any political demands. (*NTV*, 25 September)

26 September

-- Pointing to the example of Taiwan, **CHECHNYA** asked the International Olympic Committee to let it compete as an independent country. Since most Chechen sportsmen refuse to compete under the Russian flag, they have not had an opportunity to participate in international competitions recently. The Chechens set up their own Olympic committee in 1992. (*Kommersant-Daily*, 27 September)

-- The Institute for the Integrated Study of Federalism and Regionalism sponsored a conference on "Political Regionology" in **NIZHNI NOVGOROD**. (Radio Rossii, 26 September)

-- **MOSCOW** Deputy Mayor Iosif Ordzhonikidze defended the city's plans to build a "Russian Las Vegas" by grouping the capital's casinos in Nagatinskaya Poima, an industrial area on the Moscow River in the south of the city. The complex will have a variety of entertainment facilities and could take up to 15 years to build. (*Moscow Times*, 27 September)

28 September

-- The Congress of the Ingush People met in Nazran. Although the Congress is not mentioned in the Ingush constitution, **INGUSHETIYA'S** President Ruslan Aushev said that its decisions would be binding. The congress blamed the federal government for Ingushetiya's inability to resolve its on-going dispute with North Osetiya and voted no confidence in the president's representative in the area, Aleksandr Kovalev. Ingushetiya's next presidential elections are set for 1 March. (*Nezavisimaya gazeta*, 30 September)

29 September

-- **AIR TRAFFIC CONTROLLERS** at more than 50 major airports across Russia went on strike, making it the largest such stoppage in Russia's history. The controllers demanded the payment of their back wages, cost of living adjustments in their salaries, and additional vacation time. The strike ended after one hour when the Federal Aviation Service signed an agreement with the air traffic controllers' union agreeing to meet the protesters' demands. (RIA Novosti, 29 September, <http://ria-novosti.russianet.ru/ruproducts/>)

30 September

-- The government of **SVERDLOVSK OBLAST** sent letters to all members of the State Duma asking them to reject the draft version of the 1998 budget. The letters argue that the current draft contradicts the principle of budget federalism and therefore violates the constitution. (*Kommersant-Daily*, 1 October)

CENTER-PERIPHERY RELATIONS

YELTSIN SIGNS LAW ON LOCAL GOVERNMENT FINANCING. President Boris Yeltsin signed a law defining the sources of income for local governments on 25 September. Yeltsin claimed that the law would make local governments more independent of the regional and federal governments above them in the state hierarchy by allowing them to keep more of the taxes collected on their territory. *Kommersant-Daily* on 1 October described the law as part of the federal government's attempt to weaken the power of the newly elected governors. In the past, the federal government has pursued a strategy of allying with local governments against contentious regional leaders. The newspaper, however, pointed out that the strategy is unlikely to have much effect in regions like Tatarstan and Bashkortostan where the local leaders are appointed by the presidents of the two republics, in violation of federal law.

Additionally, the law prohibits local governments from keeping their funds in commercial banks, a common practice that has proven very lucrative for the banks involved (*Kommersant Daily*, 29 September). *Rossiiskaya gazeta* printed the text of the law on 30 September. - Robert Ortung

LUZHKOV WANTS POWER SHARING TREATY FOR MOSCOW. Moscow Mayor Yurii Luzhkov wants to join the 32 other republics and regions that have signed power sharing agreements with the federal government, *Segodnya* reported on 26 September. The city authorities would like to ink the deal by the end of the year, but such a prospect seems unlikely. The federal government initially signed such treaties with ethnic republics that were threatening secession, but more recently, it has been signing them with predominantly ethnic Russian oblasts that are relatively cooperative. The most recent treaty was with Samara. Luzhkov seems to be emulating the more separatist-minded republics, recently declaring, for example, that if the federal government adopted the budget in its current form, the city would conduct all of its relations with the center on the basis of treaties.

The main attraction for Luzhkov in signing such a treaty is to secure special tax and budget privileges. Moscow is particularly interested in creating a special road fund. Under current conditions much of the money the city collects in road taxes go for funding roads in other regions. Luzhkov wants a treaty that would stipulate that money generated in Moscow would remain in the city. The city authorities also want the treaty to guarantee that the federal budget continues to set aside money for the expansion of the Moscow metro. Additionally, the city wants the federal government to pay rent for the lands that its buildings occupy. Signing such a treaty may anger the leaders of other regions since most of them believe that Moscow already benefits inordinately from its status as the country's capital. - Robert Ortung

YELTSIN REHABILITATES FORMER NIZHNIY MAYOR. On 19 September Yeltsin signed a decree canceling an order from three years ago that removed acting Nizhnii Novgorod Mayor Dmitrii Bednyakov from power in March 1994. The city's first mayoral elections were supposed to take place in March 1994 and Bednyakov was running against the chairman of Oblast Soviet, Evgenii Krestyaninov. In the campaign, then Governor Boris Nemtsov backed Krestyaninov because he had come into conflict with acting Mayor Bednyakov, *Kommersant Daily* reported 25 September. When it appeared that Bednyakov was going to win, Krestyaninov withdrew from the race and the elections had to be canceled because there was only one candidate. Yeltsin subsequently sacked Bednyakov. Krestyaninov later became the president's representative in Nizhnii Novgorod Oblast and now leads Nemtsov's secretariat in the federal government. Ivan Sklyarov ultimately won the mayoral elections in December 1995.

The timing of Yeltsin's decree shows that Nemtsov now supports the rehabilitation of his old rival and clears his name of alleged wrongdoing. Krestyaninov will not be able to return to his old job, however. Newly elected Governor Sklyarov told the local media that acting Mayor Vladimir Gorin will continue to carry out his duties until new mayoral elections are held next year (<http://www.inforis.ru/n-nov/info/brief/rus/sentyabr/2209.html.a>). - Robert Ortung

PATTERNS OF REGIONAL DEVELOPMENT

PRIMORE ENERGY CRISIS DEEPENS... The energy crisis plaguing Primorskii Krai has taken a new political turn with the visit of a federal commission headed by Deputy Fuel and Energy Minister Sergei Kirienko on 29 September, RIA Novosti agency reported. The group is investigating the failure to implement the anti-crisis agreement signed by First Deputy Prime Minister Boris Nemtsov and Governor Evgenii Nazdratenko last June. The commission includes Boris Brevnov, Chairman of the Unified Energy Systems (EES), and Vladimir Popov, Deputy General Director of the "Rosugol" coal company, *Vladivostok* reported on 30 September (<http://vl.vladnews.ru>).

The anti-crisis agreement stipulated that energy prices for residential users should be increased to generate the revenue necessary to pay off chronic wage arrears to the region's energy workers. The energy companies' failure to pay their employees has caused massive strikes across the region forcing many residents to go without electricity. In one recent example, coal miners in Pavlovsk halted the mine's operations on 25 September until the pit's 2,000 workers receive the salaries due for the last five months. In another dramatic and desperate effort, several striking energy workers at one power station have even declared a hunger strike (*Vladivostok*, 26 September).

Governor Nazdratenko's inability to keep the situation under control has provoked the federal authorities to try to remove him. The rebellious governor, in turn, has been resorting to populist tactics, condemning federal policies and calling for lower energy rates. Nazdratenko even sent an open letter to Yeltsin asking for an energy subsidy for Primore (*Zolotoi Rog*, 23 September, http://vladivostok.com/Golden_Horn/index.html).

Regional labor unions are split, caught in the middle of a tug of war between the federal and regional authorities. For instance the Primore Energy Trade Union condemned Nazdratenko's calls to lower energy rates as irresponsible and myopic, RIA-Novosti agency reported on 26 September. They backed Nemtsov and called for full implementation of the anti-crisis agreement with the associated price hikes. On the other hand, *Vladivostok* reported on 29 September that the Federation of Primore Trade Unions sided with Governor Nazdratenko in his call for reinstating lower energy prices in the region. - Natan Shklyar

... WHILE MERGER PLANS REMAIN FRUSTRATED... The anti-crisis agreement that Primorskii Krai signed with the federal government stipulated that the Luchegorsk coal mine was to merge with the Primore State Regional Electric Station into a new Luchegorsk Fuel and Energy Complex (LuTEK) (See *IEWS Russian Regional Report*, 29 May 1997). The aim was to lower energy rates, capitalizing on economies of scale. Both coal miners and power station workers, however, have been vehemently opposed to the merger, resenting the transfer of assets to a new organization, and fearing potential job losses. In a 30 September article, *Segodnya* speculated that an indirect goal of the strike organized by the local union was to sabotage the merger.

On 26 September the President's representative in Primorskii Krai, Viktor Kondratov, met with the striking Luchegorsk miners and power station workers, along with some senior regional energy executives (*Vladivostok*, 30 September). The officials announced their intent to begin paying wage arrears immediately. Burnt by empty promises in the past, however, the

union leaders firmly stated that they will not return to work until they receive complete payments. At the same meeting the mass opposition to the merger became clear, the newspaper noted.

On 1 October, *Vladivostok* reported that the governor and the visiting deputy fuel and energy minister Kirienko were due to visit Luchegorsk with the goal of resolving the merger issue. Kirienko strongly supports the merger, in line with Nemtsov's policy. Nazdratenko is also known to support the plan. - Natan Shklyar

...AMID ON-GOING POLITICAL SCANDAL. The past week also witnessed the development of an effective dual power situation in the city of Vladivostok, complete with a legislative *coup d'etat* and the establishment of two rival seats of municipal government. On 26 September, Primore's regional Duma "temporarily" relieved Vladivostok Mayor Viktor Cherepkov of his duties, charging him with "unconstitutional activities." The decision could be made final pending the verdict of a regional court's review of the body's earlier appeal to examine the mayor's activities.

The legislators, who are closely aligned with Governor Nazdratenko, blamed the mayor for chronic strikes, chaos in the residential sector, irregular water and energy supplies, and the dire conditions of teachers and physicians. Apparently, the last straw was the mayor's decision to remove medicine and education from the city's budgetary allocations. With its own legitimacy in doubt since it had voted to extend its term, the Duma appointed Cherepkov's deputy Yurii Kopylov as acting mayor, NTV reported. Cherepkov himself learned about his removal while visiting Pyongyang, North Korea.

With Governor Nazdratenko in Moscow and the president's representative to Primorskii Krai, Viktor Kondratov, in Luchegorsk, Cherepkov's loyal Vice-Mayor Nikolai Markovtsev, protested the Duma's decision and has petitioned the courts to reverse it. Interviewed in Moscow by NTV (26 September), Governor Nazdratenko expressed his satisfaction with the Duma's decision to oust his long-time rival, and reiterated that Cherepkov was responsible for the city's problems. Oblast Duma Speaker Vladimir Litvinov claimed that he was against the action, but that it was pushed through the body spontaneously and had never appeared on the agenda (RIA Novosti, 27 September). On 29 September, presidential representative Viktor Kondratov stated that the Duma's decision was completely illegal, and accused the legislature of populism, aimed at boosting its questionable legitimacy on the eve of elections set for December (RIA Novosti, 29 September).

President Yeltsin removed Cherepkov from power in 1994 on trumped up charges but restored him to the mayor's office just over a year ago. Since his return, Cherepkov has been conducting a comprehensive reorganization of the city's economy, which has left Vladivostok's residential, social, and health-care infrastructures in disarray according to some analysts. Last spring the regional Duma petitioned the courts to determine whether Cherepkov's activities were unconstitutional, but the court case has been held up ever since because Cherepkov has failed to show up in court (*Kommersant Daily*, 27 September).

When Cherepkov returned from North Korea to Vladivostok on 29 September, he declared his intent to ignore the Duma's decision and continue working as mayor. That same day Primore's democratic parties held a rally in his support and demanded that the regional

Duma be disbanded immediately. Later in the day, Vladivostok's Leninsk district court revoked the Duma's resolution as inconsistent with the statutes on local government (RIA Novosti, 29 September). Cherepkov himself had to be hospitalized for surgery and so handed over his powers to Vice-Mayor Nikolai Markovtsev.

The city effectively fell into a situation of dual power as the Duma-appointed mayor, Yuriy Kopylov, claimed legitimacy, *Kommersant Daily* reported on 30 September. Kopylov signed a decree placing the administrations of Vladivostok's five raions under his jurisdiction. Most raion leaders oppose Cherepkov, resenting his power grabs and his restrictions on how they spend their budgets. The following day Kopylov established an alternative mayor's office in one of the district's administrative offices. He declared all aspects of Cherepkov's power illegal and placed municipal bank accounts with six local banks under his jurisdiction. In a demonstration of his control, Kopylov immediately began transferring funds from these accounts to pay wages owed to health-care workers and teachers, and to finance infrastructure repairs. He also restored light to some regions that had been darkened by the energy strikes. Citing the willingness of the banks and tax collection agencies to cooperate with Kopylov, *Vladivostok* speculated on October 2 that the rival mayor must have some hitherto undisclosed high level backing. - Natan Shklyar

KEMEROVO CORRUPTION SCANDAL UPDATE. Following *Izvestiya's* explosive publication (see *IEWS Russian Regional Report*, 25 September 1997), President Yeltsin ordered a group of investigators to inspect the situation in Leninsk-Kuznetskii, where Gennadii Konyakhin, a convicted criminal, was elected mayor and has been allegedly criminalizing local government institutions. The group is composed of 12 people, representing the Procuracy, the Ministry of the Interior (MVD) and the Federal Security Service (FSB). Upon arrival, the investigators were met by a crowd of about 200 people rallying in support of the mayor in front of the city building, *Izvestia* reported (26 September). However, the paper suggested that most people at the rally were Konyakhin's employees and cronies.

On 27 September Yeltsin's representative in Kemerovo oblast, Aleksandr Malykhin, unexpectedly announced that the investigators found nothing wrong with the electoral procedure through which Konyakhin was elected. President Yeltsin promptly fired Malykhin, apparently for premature and unsanctioned disclosure of investigative information. His press-secretary Sergei Yastrzhembskii, though, said that Yeltsin's decision was motivated by the fact that he had to learn about the criminal state of affairs in the region from the press and not from his own representative there (RIA Novosti, 27 September). Commenting on Malykhin's dismissal, State Duma Speaker Gennadii Seleznev said, on his visit to Kemerovo oblast, that the institution of presidential representatives in the regions has outlived itself and that the Duma should abolish it (*Segodnya*, 29 September).

The Leninsk-Kuznetskii affair has produced a flurry of activity at the federal level. President Yeltsin himself went on the air in his regular radio address to condemn the criminalization of Russia's public life. He cited the poor performance of the executive branch apparatus as well as society's poverty as the main causes of corruption. Yeltsin promised to throw his unequivocal support behind the anti-corruption struggle, and called on the civil service to cleanse itself of criminal influences.

Kemerovo Oblast Governor Aman Tuleev has also been loudly alleging that the scandal is timed so as to sabotage the 19 October gubernatorial elections by creating an atmosphere of fear in the region (RIA Novosti, 26 September). He also said that he had tried to warn the public, former Kemerovo Governor Mikhail Kisliuk, and the federal law-enforcement officials about Konyakhin, but to no avail. These statements, however, were completely denied both by the Procuracy and by Kisliuk, who now heads the Federal Natural Monopolies Commission. In a 25 September press conference Tuleev claimed that 75% of Kemerovo oblast's GDP is controlled by organized crime, while he himself fears that he will be the victim of a contract killing. According to *Kommersant Daily* (26 September), Chernomyrdin stated that his government fully supports Aman Tuleev and plans to transfer 300 billion rubles (\$52 million) of what it owes to the region.

Finally, the controversial Leninsk-Kuznetskii mayor Gennadii Konyakhin himself went public, assuring his audience that investigators will find nothing wrong with his activities. He further said that he plans to sue *Izvestia* for inflicting damage both on himself and on his city (RIA Novosti, 26 and 29 September). Konyakhin maintained that the entire scandal is nothing but a counter-attack from those corrupt officials whom he ousted from power and denied access to state coffers (NTV, 25 September).

In an interview with the journal *Kommersant* (30 September 1997) Gennadii Konyakhin said: "I am a normal person, and even though I have a bad past, I was elected by the people." He also hoped that after the whole ordeal is over, he could meet with Yeltsin and allow the president to get to know the "real Konyakhin." Referring to Leninsk-Kuznetskii as "the most criminal and most corrupt city in the region," Konyakhin portrayed himself as an anti-corruption crusader. When asked about the shady privatizations of the city property ascribed to him, he replied that all the deals have been inspected and found legal. Likening himself to Chubais and Nemtsov, Konyakhin said he was a "young reformer, the youngest and most entrepreneurial mayor in the region," with high political ambitions. "If I can restore order in the city and prove my capabilities here, perhaps I will run in the next gubernatorial elections," Konyakhin said. - Natan Shklyar

ST. PETERSBURG LOCAL ELECTIONS SUFFER LOW TURNOUT

by Daniel Tsygankov, Dept. of Sociology, St. Petersburg State University

On 18 September the Russian Supreme Court ruled that local elections could proceed in St. Petersburg on 28 September. The city then proceeded to spend 18 billion rubles (\$3 million) organizing elections for the 111 new local councils. But all this effort was wasted. Even after Governor Vladimir Yakovlev extended the elections for an additional day, only about one third of the districts were able to gather the required minimum of 25% turnout. Average turnout for the city was 12% for the first day and only climbed to 18% with the extension. The voting was generally valid in the city suburbs, where the new district lines tended to coincide with the old demarcations. (For additional background on the race, see *IEWS Russian Regional Report*, 18 September.) The rest of the districts have to hold new elections, most likely to take place in January, by which time the minimum requirement might be removed.

Bad weather, popular apathy, a lack of heating in city apartments, and scant information about the elections are all peripheral reasons for the low turnout. Opinion polls conducted by the Independent Analytical Center show a curious situation: the more city residents learned about the elections, the less likely they were to participate in them. Such widespread sabotage of the elections shows that many citizens refused to participate in what they considered sham voting and a profanation of local government. This example, along with other cases of low turnout across Russia, raise a serious question for both the government and political scientists: does the current electoral system correspond to the needs and aspirations of democracy and reforms in Russia?

On the same day, by-elections were held in the 45th precinct to fill in a vacant seat in the city council, the Legislative Assembly. Many observers consider the election an interesting barometer for the city as a whole in the run up to next year's elections for the city's Legislative Assembly. The district is located in the Primorskii Raion, a new development on the north-west edge of the city. None of the 20 contenders won over 50% of the vote, and a run-off election is scheduled for 12 October. The seat will be contested by Aleksandr Redko, former chairman of the municipal health-care committee, and Oleg Nilov, deputy chair of Afganvet, a union of Afghanistan veterans. Nilov trailed Redko by only 16 votes in the first round, and both of them spent about 700 million rubles (\$120,000) on their campaigns. Among the losers were several local entrepreneurs and a Yabloko candidate, which shows popular dissatisfaction with Yabloko's performance as a coalition partner since May 1996 in the city government. In contrast, the December 1995 Duma elections turned out victories for Yavlinskii's supporters across the board. Because the campaign was plagued with elections rules violations and open bribery of poorer voters (10,000 rubles [\$2] a vote), court appeals will most likely ensue.

SUCCESS STORIES: Samara

Note to readers: This week we continue our examination of Samara's success by looking at the region's largest manufacturer, AvtoVAZ.

AVTOVAZ STRUGGLES WITH HUGE DEBT PROBLEMS

The Volga Automobile Plant (AvtoVAZ) in Tolyatti accounts for 70% of Russia's light car production and serves as a bellwether for the entire region, according to the *Economist*. Last year, it lost over \$400 million. It is wildly inefficient, using 300 employee-hours per car, 20 times the figure for Toyota. Although Fiat helped build the production line in the late 1960s and early 1970s, AvtoVAZ has not modernized like Nizhnii Novgorod's GAZ and Tatarstan's KamAZ plants. It also suffers from a corrupt distribution system. Boris Berezovskii's Logovaz, the firm's distributor swallowed up the profits on the 700,000 cars produced in 1996. (Berezovskii bankrolled much of Yeltsin's presidential campaign and assured positive coverage for him on the country's main television network. He is now Deputy Secretary of the Security Council.) AvtoVAZ officials are said to tolerate this situation because they reportedly get large kickbacks.

Now, AvtoVAZ owes the Russian government 2.85 trillion rubles (\$500 million) in back taxes, payments to the pension fund, and other debts. In August, the firm thought that it had set up a plan to restructure its debt. On 2 August, the shareholders voted to give the federal government 50% plus one share of the plant's stock as collateral against the money it owes. In turn, the government will allow the plant to repay its debt over the next 10 years. The stocks could be sold if AvtoVAZ misses two payments to the government in a row. On 29 August, the firm agreed to another 10-year plan to pay back its \$561.8 million debt to Vneshekonombank. Overall, the factory produced 351,000 cars of all types in the first six months of 1997 and plans to produce 716,000 by the end of this year. Nevertheless, most observers believe that, even if the deal had been accepted, AvtoVAZ would have considerable difficulty meeting its debt repayment obligations.

However, the government never gave AvtoVAZ final agreement on the scheme. In September, First Deputy Prime Minister Boris Nemtsov said that unless the plant presented a new plan to restructure its debt by 1 October, he would declare the factory bankrupt and fire its leadership. Part of the problem was that AvtoVAZ owes considerable money to the Tolyatti city and Samara oblast budgets and repaying these debts was not included in the factory's initial plan. The AvtoVAZ board is set to approve a new deal at its meeting on 2 October. According to preliminary reports, the plant is looking for a way to pay back all of its debts with the federal government over the next 25 years. Most likely there will be a compromise decision of some sort, since declaring the factory bankrupt is extremely unlikely.

AvtoVAZ badly needs foreign investment, but its management has been hostile to any potential partners, fearing that they will lose control of the company. Daewoo (South Korea) offered to pay off \$1 billion of AvtoVAZ's debt to the government and invest \$2 billion in exchange for a 51% share in the concern and generous tax benefits to import machinery and cars into Russia, but AvtoVAZ President Vladimir Kadannikov rejected the deal. (Kadannikov briefly served as first deputy prime minister, replacing Anatolii Chubais in January 1996, but was removed from the post when Chubais again gained the upper hand in the August 1996 cabinet reshuffle following Yeltsin's reelection.) He claims that he will soon establish a strategic partnership with General Motors (US) to produce Opels in Samara, but financing for the GM deal is unclear.

Despite these problems, AvtoVAZ remains Russia's largest car company and the Russian car market is expected to boom in the next decade. The firm benefits from customer familiarity, the wide availability of parts, and the durability of its cars on Russian roads. It is continuing to release new models, including a new mini-van.

Unlike most other sectors of manufacturing, Russia's auto industry has been protected by high tariff barriers, ranging from 30-100% on different types of cars, which have kept out most foreign imports. The high level of protectionism testifies to the auto industry's political leverage, and means that potential foreign investors have to work with the incumbent Russian auto industry directorate. - RRR Editors

ECONOMIC ISSUES

AMERICAN TECHNOLOGY FOR TVER CONSTRUCTION WORKERS. An American Besster production line is currently being installed at Tver Construction Materials Factory No. 1. Factory Director Michael Sikeriitskii believes that the line will enter production by the end of November. The Besster line should revolutionize Tver's construction material market, by producing world-class production materials. It produces ecologically friendly pavement tile that might be used instead of asphalt. With an initial outlay of \$2.5 million, the investors hope to recoup their money within two-three years. There are no more than ten such lines in Russia, making its output all the more desirable. Although the line only requires 20 employees, its production equals that produced by 500 people in other divisions of the factory.
- Boris Goubman in Tver

KIMRI: RUSSIA'S GINSENG CAPITAL. Kimri, a regional center in Tver Oblast, is many times zones from the Far East where ginseng is a traditional crop. Nevertheless, since the beginning of the 1990s, Anany Petrov has been experimenting with the root in his market garden. The main problem, however, was not how to cultivate ginseng, but where to sell it. Now Sergei Petrov, director general of the agricultural company "Ginseng," is handling marketing. The Vodoley balsam produced by Petrov's company won the gold medal at the St. Petersburg Russian Farmer exhibition and earned Petrov an honorary diploma from the St. Petersburg association of dietitians.

Some years ago even the idea of organizing a ginseng plantation in Kimri seemed exotic, but today it is a reality. Petrov is planning to produce 200 kg of ginseng every month. Tver Oblast now has its own program to grow ginseng, and its implementation will make this part of Russia the main producer of this root. It has numerous uses in the food and pharmaceutical industries. - Boris Goubman in Tver

NOVOSIBIRSK, SIDANKO AGREE ON OIL INVESTMENT. The Novosibirsk Oblast Administration announced that it has reached agreement with the oil company Sidanko on a schedule for developing the Verkh-Tarsk oil deposit. Work first began on the deposit, which is located in the northern part of the oblast, in the 1970s. Tomskneft worked the site until 1993. In that year, the oblast administration held a competition to further develop the site which was won by Vareganeftegaz, part of Sidanko. Sidanko founded Novosibirskneftegaz to carry out the project.

However, Sidanko did not meet the agreed upon schedule for investing in the deposit. As a result, Governor Vitalii Mukha announced that the administration was considering filing a court case to deprive the company of its license for developing the site. Now, Sidanko has announced that it will invest \$13 million in the region this year. Earlier, it had been agreed that the initial investment would be \$120 million. An overall investment of \$280 million is needed to exploit the site to its fullest potential. Sidanko will also spend \$15-20 million on an oil pipeline that will be completed in the fall of 1998.

The March meeting between the new president of Sidanko, Ziya Bazhaev, and Governor Mukha began the resolution of the crisis. The recent visit of Michael Pink, the new

first vice president of Sidanko and formerly a key official at Shell, to Novosibirsk finalized the deal. - Konstantin Kanterov in Novosibirsk

BUSINESS BRIEFS

-- **GUINNESS** will open a pub in **NOVOSIBIRSK** in November. The firm has already opened 250 pubs in Italy where they have been wildly successful. Now the Irish firm will test the Russian market. (*Economist*, 27 September)

-- **COCA-COLA** officially opened four new bottling facilities in Russian regions on 1 October: in **VLADIVOSTOK** (\$20 million overall investment, with a capacity of 70 million liters a year), **KRASNOYARSK** (\$40 million, 60 million liters), **NIZHNI NOVGOROD** (\$29 million, 70 million liters), and **ROSOV-NA-DONU** (\$27.5 million, 110 million liters). Coke now has 12 plants in Russia and Pepsi has seven. Overall, Coke has spent \$600 million in Russia, while Pepsi plans to spend \$550 by 2000. In 1996, Russians bought 481 million liters of Coke and 336 million liters of Pepsi. There is plenty of room for growth, however. The average Russian drinks 13-18 liters of soft drink a year, while figures for European countries vary from 60-90 million. (*Kommersant-Daily*, 25 September)

-- The Czech Republic's **SKODA** is still considering various Russian partners to assemble its Felicia model. It has previously focused on **SMOLENSK'S** Avangard but backed out of the deal with the Russian government refused to give it tax breaks to import the kits. The Felicia is Russia's second most popular imported small car, with more than 5,000 sold in the first six months of 1997. Daewoo's Nexia leads at over 6,000 sold and the Ford Escort is in third place with 3,500 cars sold. (*Kommersant-Daily*, 25 September)

-- **HYUNDAI** invested \$100 million in a five-star hotel and business center that recently opened in **VLADIVOSTOK**. Most major South Korean companies have opened representative offices in the city. (*Kommersant-Daily*, 26 September)

-- The **WORLD BANK** will give **KRASNOYARSK** and **KHABAROVSK** kraia and **KALININGRAD** Oblast an overall credit of \$60 million to carry out ecological programs in the forestry industry in March 1988. Specifically the money will go for purchasing efficient technology, introducing effective ways of using waste products, and restructuring enterprise managements. The bank plans to expand the program to other regions in 1999 and will devote \$300 - 400 million to future projects. (*Segodnya*, 26 September)

-- The republic of **SAKHA** has ordered 50,000 "smart cards" from France to introduce a program that will allow consumers to purchase goods without cash. The state-controlled Sakhakreditbank will organize the program. The cards are being used in other parts of Siberia, the Urals, and the Far East. Similar programs are now being introduced in parts of Canada and the upper west side of Manhattan. (*Segodnya*, 26 September; *New York Times*, 30 September)

-- Indonesia has proposed buying 12 Su-30K fighter planes and 8 Mi-17 and Mi-18 helicopters in a partial barter deal for Timor cars. The overall deal would be worth from \$500 million to \$1 billion. **TATARSTAN** would benefit from the deal since the helicopters would be made in the republic. (*Vremya i dengi* [Kazan], 13 September)

-- The Dutch chapter of **FRIENDS OF THE HERMITAGE** donated \$1 million to the **St. Petersburg** museum to rebuild its roof. The collection includes large selections of Dutch masters. IBM recently gave the museum money to support its web site. (*Moscow Times*, 26 September)

-- A meeting of the KamAZ shareholders on 30 September was expected to break the giant car maker into 5 parts. Investors have been wary of putting money into the heavily-indebted behemoth and the plant's managers hope that the new smaller companies will be easier to work with. **TATARSTAN'S KAMAZ** will initially hold all the stock in the new companies. **SAMARA'S AVTOVAZ** recently tried a similar restructuring that would limit the level of its debts, but the federal authorities blocked the move since they would have lost a considerable amount of money. (*Kommersant-Daily*, 30 September)

-- The French firm **ASSURANCES FINANSEMENTS** announced that it would invest FrF120 million in a St. Petersburg factory to produce pacemakers. (*Kommersant-Daily*, 30 September)

-- **DAEWOO ELECTRONICS CIS** will invest \$7 million in **ST. PETERSBURG'S KHANARO** factory to produce television and video equipment. The project is the first production venture for the firm in Russia. Until now it has limited its activity to setting up service centers for Daewoo brand products.

-- The **WORLD BANK** will provide the Russian government a \$31 million credit to finance the reconstruction of **ST. PETERSBURG'S** historic downtown. The loan must be repaid within 17 years. (*Segodnya*, 27 September)

-- **NIZHNI NOVGOROD'S GORKII AUTOMOBILE FACTORY (GAZ)** signed an agreement with Germany's **REGE MOTORENTEILE** to produce parts for Austrian **STEYR** diesel engines over the next 10 years. In 1998 the joint venture will produce 5,000 sets of parts, with the number growing to 120,000 by 2001. GAZ uses Steyr engines in many of its newer models. (*Odnoi stroikoi*, 29 September, <http://www.inforis.ru/n-nov/info/brief/index.shtml.a>)

-- The Austrian firm **MARCO POLO** has decided to leave the Russian market and will sell its **MOSCOW** Palas hotel, the first five-star hotel in the capital, to the US's **ITT SHERATON**. ITT took over the Nevskii Palas in **St. Petersburg** last week. (*Kommersant-Daily*, 1 October)

-- **ARKHANGELSK GOVERNOR** Anatolii Yefremov said that his region has the right to develop the Varandei and Khorei-Ver deposits in the Timano-Pechora oil and gas region. The fields have been under contract to the **TIMAN PECHORA COMPANY** (led by **TEXACO** and including **EXXON, AMOCO, NORWAY'S NORSK HYDRO,** and **ROSNEFT**) since 1991. However, the firms have not begun developing the sites because they are waiting for a production-sharing agreement to be approved by the Duma. Yefremov claimed that the Russian firm Arkhangelskgeoldobycha is practically ready to begin work and that the oblast administration was ready to cooperate with it. The Gore-Chernomyrdin commission has made it a priority to get production-sharing approval for this site. (*Segodnya*, 25 September)

FOREIGN TIES

PHILIPS IN NOVOSIBIRSK OBLAST. During a visit to the Berd Electromechanical Plant, representatives of the Dutch firm Philips announced that they were prepared to dramatically increase production of electric shavers and blow-dryers there. Since May, the plant has been assembling shaver kits from parts supplied by Philips. Ten workers have been able to produce 2,000 kits a week. Philips is happy with the results so far and is ready to start making parts for the kits at the factory. - Konstantin Kanterov in Novosibirsk

TWG FACES TROUBLE AT LIPETSK PLANT. The Novolipetsk Metallurgical Plant has stopped deliveries to the British Trans World Group (TWG), which owns 38% of the plant's shares, *Kommersant Daily* reported 27 September. Until now the management of the factory and TWG have worked together to prevent a group composed of Cambridge Capital, Renaissance Capital and the MFK bank from exercising control over the plant even though that group owns a majority share of the plant's stock. The plant has stopped deliveries to TWG because the British firm owes it \$100 million for products already delivered. It is not clear how the dispute will affect the battle among the stockholders. - Robert Ortung

ROSSEL VISITS JAPAN, ANNOUNCES INVESTOR TAX HOLIDAYS. Sverdlovsk Governor Eduard Rossel visited Tokyo in an attempt to stimulate trade between his region and Japan, RIA Novosti reported 26 September. He signed contracts with Sumitomo to deliver aircraft alloys to Japan and with NEC for the delivery of electronic equipment. Rossel also announced that he would grant special tax holidays to large investors. Over the next two years, the oblast will reduce its tax on profits from 22% to 11% for investors spending more than \$10 million in the region. The tax will drop to 5% for investors who bring \$40 million. Additionally, Rossel wants Yeltsin to approve the opening of a Japanese consulate in Yekaterinburg at the upcoming Russian-Japanese summit. - Robert Ortung

REGIONAL PROFILE: REPUBLIC OF MARI EL

President: Vyacheslav Kislitsyn

Vyacheslav Kislitsyn was elected President of Marii El in January 1997. Gennadii Zyganov's National Patriotic Union of Russia, Grigorii Yavlinskii's Yabloko movement, and former Security Council Secretary Aleksandr Lebed backed his bid. In the run-off, he scored almost 60% of the vote, leading his rival, a Liberal Democratic Party Duma deputy, by 23%. The former republican president, Vladislav Zotin, failed to make it into the second round though had attempted to cancel elections on the eve of the first round in order to secure the office.

Kislitsyn, 49, has long been a Communist Party member and did not quit the party after being elected president. From 1972 until 1975 he served as chairman of a local executive committee, then for three years he was the director of a catering enterprise. In 1978 he was appointed chairman of a kolkhoz, the job he held until 1989, when he was elected People's Deputy of the Soviet Union. In December 1993, with the support of Yegor Gaidar's Russia's Choice movement and the Democratic Party of Russia, he was elected to the Federation Council.

Other Local Leaders

Chairman of the State Assembly -- Mikhail Zhukov, elected in October 1996

Brief Overview

The Republic of Marii El is located almost in the middle of European Russia, in the basin of the Volga River. It is surrounded by the highly industrial regions of Kazan, Nizhnii Novgorod, Vyatka, and Cheboksary. The republic has a moderate continental climate and has succeeded in preserving a clean environment. Woods, which cover over half of its territory, are the major wealth of the republic, which otherwise is poor in raw materials.

The republic's economy draws on both industry and agriculture. Major republican industries include: machine-building and metal-processing (24% of GDP), food industry (20.4%), and forestry, lumber, and cellulose (13% each). About 8.5% of GDP comes from the defense sector, which employs about 35% of industrial workers. Republican agriculture specializes in the cultivation of grain, vegetables, potatoes, and the production of meat, milk, eggs, and wool.

In 1995, direct foreign investment totaled \$211.1 million and 4.8 billion rubles. The largest investment came from Italy, India, and Turkey. As of January 1996, the republic had 72 joint ventures with foreign participation: 8 from Italy, 5 from the USA, and 4 each from Germany, China, and Bulgaria.

Basic Facts

1995 Population (est.): 766,200 (0.52% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 0.21%

Agricultural production as percentage of all Russian production (1994): 0.76%

Average personal income index in July 1995: 60 (Russia as a whole = 100)

Price basket index in July 1995: 48 (Russia = 100)

Average back wages owed per person (September 1995): 37,200 rubles (Russian average = 37,100)

Urban population: 62.2% (Russia overall: 73.0%)

Student population (1993): 172 per 10,000 (Russia overall: 171/10,000);

Pensioner population (1994): 23.26%

Percent of population with higher education (1989 census): 9.7% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 30.0% (Russian average: 29.9%);

Agriculture: 18.8% (12.8%); Trade: 7.7% (9.1%); Culture: 13.8% (13.6%); Management: 2.3% (2.3%)

Number of telephones per 100 families (1993): in cities : 40.3 (Russian average: 41.5); in villages: 11.5 (17.2)

According to a 1995 survey by Bank Austria, the republic is ranked 51st among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Zyuganov: 43.44%/52.78% (first round/second round)

Yeltsin: 24.75%/40.74%

Lebed: 10.97%

Zhirinovskiy: 7.43%

Yavlinskii: 7.37%

Turnout: 69.53%/68.77% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Liberal Democratic Party of Russia: 20.72%

Communist Party of the Russian Federation: 18.51%

Agrarian Party of Russia: 9.41%

Our Home Is Russia: 5.01%

Women of Russia: 4.87%

Communists -- Workers' Russia: 4.47%

Pamfilova -- Gurov -- Lysenko: 4.32%

Party of Workers' Self-Government: 3.56%

In single-member districts: 1 Agrarian Party of Russia

Turnout: 66.55% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 50.68% "No" -- 49.32%

1993 Parliamentary Elections

Liberal Democratic Party of Russia: 24.47%

Agrarian Party of Russia: 14.17%

Communist Party of the Russian Federation: 12.55%

Russia's Choice: 11.42%
Women of Russia: 10.32%
Democratic Party of Russia: 6.62%
Party of Russian Unity and Concord: 6.49%
Yabloko: 4.51%
In single-mandate districts: 3 independent, 1 Yabloko
>From electoral associations: 1 Party of Russian Unity and Concord
Turnout: 46.82% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 51.44%
Ryzhkov: 17.05%
Tuleev: 11.18%
Zhirinovskiy: 6.58%
Makashov: 4.59%
Bakatin: 4.30%
Turnout: 76.51% (Russia overall: 76.66%)

Sources: Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections], Moscow: Yuridicheskaya Literatura, 1995; Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown], Moscow: Panorama, 1996; Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995], Moscow: Central Electoral Commission, 1996; Gubernatory Rossii [Governors of Russia], Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: Regional Risk Rating in Russia, Vienna: Bank Austria, 1995.

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Dear Readers,

Khanty-Mansii Governor Aleksandr Filipenko and Yamal-Nenets Governor Yurii Neelov will visit New York and Washington during the week of 20 October. In New York, they will participate in a forum open to the public at Columbia University on 21 October from 4 to 6. We will provide further details in next week's issue. In Washington, they will speak in the Dillon Ripley Center's Lecture Hall on 23 October from 2 to 4. Please contact the Kennan Institute at (202) 287-3400 for further details and to confirm.

The RRR Editors

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The Institute for EastWest Studies (IEWS) is a transnational nonprofit organization founded in 1981 to challenge, bridge and transform the security, economic and social situation in Central Europe and Eurasia.

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TABLE OF CONTENTS

Breaking News

A Survey of Key Events in Russia's Regions

Spotlight on NGOs

Arkhangelsk NGOs Need to Identify Their Role

St. Petersburg NGOs Find Businessmen More Receptive to Fundraising

Center-Periphery Relations

Is the Federal Government Cracking Down on Tatarstan?

Bryansk Governor: Stroev to be Next Russian President

Patterns of Regional Development

Cautious Start Works Well For New Volgograd Governor

Procurator Files Charges Against Kemerovo Mayor

Dual Power Crisis Continues in Primore

Business Briefs

A Weekly Summary of Key Deals in the Regions

Sectoral Analysis

Flax Producers Study Falling Output
Economic Issues
Moscow Bank Opens Branch in Bryansk
Tver Seeks Investment from Gazprom
Foreign Ties
Lukashenko Visit to Regions Cancelled
Regional Profile: Republic of Mordoviya

BREAKING NEWS

1 October

-- The nurses at Artem's (**PRIMORSKII KRAI**) hospital no. 1 marked nine days of a hunger strike demanding the payment of their wages which have been held up since March. They have called on the federal authorities to investigate the situation in their city, describing it as similar to the situation in Leninsk-Kuznetskii (**KEMEROVO OBLAST**), where a convicted criminal was elected mayor (See below for a follow-up) (*Kommersant-Daily*, 2 October). Local "deceived investors" accuse the mayor, businessman Aleksandr Terentev, of organizing a pyramid scheme before his election as the leader of the mining town. Terentev continues to engage in commercial activities. He and his associates allegedly monopolize much of the city's trade organizations. Their pricing policies have made the city the most expensive in the region, according to krai authorities. (RIA Novosti, 29 September)

-- The Kirishinefteorgsintez factory, which supplies most of **ST. PETERSBURG'S** and the entire Northwest region's fuel needs returned to full capacity. Beginning on 22 September, it had been forced to cut production because of a lack of raw materials. (*Segodnya*, 2 October)

-- The government is trying to make good on Yeltsin's July decree to pay off **BACK WAGES OWED TO CIVIL SERVANTS** by 1 January 1998. Deputy Prime Minister Oleg Sysuev said that the federal government had signed agreements with 77 regions defining how much each side would pay. Of the 26.6 trillion ruble (\$4.5 billion) debt on 1 July, the federal government will pay 11.3 trillion rubles (\$2 billion). However the government failed to meet its payout of 1.4 trillion (\$240 million) rubles in September.

2 October

-- *Finansovie izvestiya* reported a speech by **MOSCOW** Mayor Yurii Luzhkov in which he argued that Moscow should not be a major industrial center in the future. Instead, he proposed that the city tie its development to the expansion of its capacity to produce first-class scientific research. In support of his plan, he suggested that Moscow banks could help find ways to market the scientists' technological innovations.

-- **PRESIDENT BORIS YELTSIN** visited **NIZHNII NOVGOROD** where he caused a stir by refusing to rule out an attempt to win a third term in office. He said that the only thing that he forbid regional leaders from doing was receiving foreign leaders, a reference to the failed

attempt of Belarusian President Aleksandr Lukashenko to visit Lipetsk and Yaroslavl (see Foreign Ties below). Yeltsin viewed four models of Fiats which will soon be assembled at the local Gorkii Automobile Plant (GAZ) and met with the Big Volga regional association. (*Kommersant-Daily*, 3 October)

3 October

-- *Segodnya* reported that **ST. PETERSBURG** leads Russia in drug use. Narcotics are particularly widespread among school children.

4 October

-- Former **ST. PETERSBURG** Mayor Anatolii Sobchak was admitted to the hospital with heart trouble after collapsing during an interrogation about allegations of corruption during his tenure in office. A July article in *Novaya gazeta* accused him of accepting bribes from a real estate agency to permit the illegal privatization of a lucrative city building and selling off city apartments to political allies, newspaper editors, and rock stars at artificially low prices.

-- The government of the **REPUBLIC OF UDMURTIYA** signed a cooperation agreement with the visiting mayor of **MOSCOW** Yurii Luzhkov. The main focus of Luzhkov's visit was to establish contacts in the area of oil-refining. Moscow is experiencing shortages of gasoline, while Udmurtia seeks partners to refine its oil. Luzhkov also expressed Moscow's interest in cooperating with several local heavy industrial enterprises. (*Radio Rossii*, 4 October)

6 October 1997

-- First Deputy Prime Minister **BORIS NEMTSOV** visited the **REPUBLIC OF KARELIYA** to explore the social and political situation in the region, as well the prospects for Russian-Finnish cooperation. The visit's main goal was to solve the problems of the local electric energy sector. Nemtsov was also planning to discuss the progress of construction of the first commercial railway connecting Russia with Finland and to visit several major Kareliyan enterprises. Kareliya is of great importance to Russia because it extends along most of Russia's only border with the European Union. (*Radio Rossii, Vesti*, 6 October)

7 October 1997

-- According to **NIZHNI NOVGOROD OBLAST** Deputy Governor Aleksandr Batyrev, during his visit on 2 October President Yeltsin tasked the oblast administration with drafting 11 federal decrees dealing with the region's development. These decrees should establish a plan for developing Nizhnii's chemical industry, support the Federal Nuclear Center in Sarov, and stimulate the development and modernization of the Sokol aircraft plant. The decrees are almost ready for signing. Moreover, the president promised to allow the region's military-industrial enterprises to sell spare parts for locally-produced military equipment abroad bypassing Russia's main arms trader Rosvooruzhenie (*Kommersant Daily*, 7 October).

-- During his trip around **BASHKORTOSTAN** last week, republican President Murtaza Rakhimov announced he will not seek re-election after his term expires at the end of 1998, "Bashinform" news agency reported. Rakhimov himself claims that he is too tired to carry on his political career. However, *Kommersant Daily* speculated that the popular defender of regional interests is being discreetly pressured out of the political arena by certain forces in Moscow who are concerned about his rumored association with some shady oil operations (*Kommersant Daily*, 7 October).

SPOTLIGHT ON NGOs

ARKHANGELSK NGOs NEED TO IDENTIFY THEIR ROLE

by Vasil Hudak, IEWS Vice President

ARKHANGELSK - Arriving in Arkhangelsk from Moscow, one immediately sees the huge difference in the speed of economic transformation that is taking place in different parts of Russia. While Moscow is booming with new construction sites and sleek modern buildings housing banks, hotels and supermarkets, I did not notice any new construction in Arkhangelsk. A huge statue of Lenin still dominates the main square of the city.

The overall mood of the people living in Arkhangelsk is quite skeptical. No surprise - during the Soviet era, Arkhangelsk oblast was second only to Moscow in terms of GDP per capita! It was one of the country's largest producers of timber and cellulose. The region is rich in oil and gas, coal, bauxite, semi-precious stones and manganese. A 70% bonus paid from the state budget on top of an employee's base salary lured many people to this cold and inhospitable region and partially compensated for the difficult living conditions. Today this bonus has to be paid by employers themselves, driving up the cost of production and making local products uncompetitive. Sergei Namoilik, head of the International Affairs Department in the mayor's office cites this "northern tariff" as the main reason why most of the local industries, in particular pulp and paper, are bankrupt. He believes that it is also responsible for the 5-7% official unemployment rate in the region and the exodus of approximately 10,000 people annually from the city of Arkhangelsk. However, Hans Christian Dall Nygard, NORUM Senior Fund Manager disputed the notion that the 70% bonus is forcing local companies out of business (NORUM is the North West Russia Regional Venture Fund sponsored primarily by the EBRD). He argued that the high taxes imposed by the oblast Duma are the main reason for the difficult situation in the regional economy. The oblast Duma has been reluctant to lower taxes because it needs the revenue they generate to support local and regional bureaucracies and maintain the region's social security net.

Much of region's water, land and air is polluted by waste produced by nearby wood processing industries and nuclear installations. Local residents described piles of nuclear waste that one encounters when walking through the beautiful forests of the region, particularly those close to the city of Severodvinsk, the center of the region's military industry.

When I asked the leaders of over twenty local NGOs, participants in a seminar I conducted, what they considered to be the main problems of the region, they pointed to

marginalized groups within the population (pensioners, unemployed, ethnic Russians fleeing former Soviet republics, etc.); economic collapse and growing unemployment; over-dependence on the forestry and defense industries; a lack of support for small and medium enterprises; the destruction of traditional values; and environmental degradation. When I asked them about their vision for the region, they all agreed on a strong cultural and spiritual life based on local traditions and religious practices, but they disagreed on economic issues: some of them saw the future of region's economy in modernizing and increasing the efficiency of current industries (forestry, defense, mining, fishing), others saw the region's economic future and prosperity in the utilization of natural resources (gas, oil, coal, diamonds). Only a minority advocated a combination of new, progressive technologies with some traditional industries (e.g., fishing) based on dynamic small and medium enterprises. Nevertheless, they all agreed that the main potential for the future development of the region is in its people, especially young people.

Local NGOs Need to Better Define Their Role

The residents of Arkhangelsk Oblast began forming NGOs a little later than their counterparts in other regions of Russia or the former Soviet Union. The first such groups began to appear in 1988-89. Organizations created during that time were largely informal, charitable associations of citizens working on environmental, legal, educational, and religious issues. Several of these informal associations were transformed at the beginning of the 1990's into political movements. The others became more and more institutionalized, particularly the various professional and youth organizations. Today, there are over 400 NGOs in the region. About 20% of local NGOs have their own publications. Donations by private citizens, sponsorship from commercial organizations and membership fees are the main sources of financing for local NGOs. Some of the NGOs engage in commercial activities. The organization of Afghan and Chechen war veterans is most active in this area. When I visited their office in Arkhangelsk, they were selling German-produced mobile heaters for houses and apartments. Their product was becoming increasingly popular among local citizens as winter was approaching rapidly.

Besides financial issues, local NGOs in the Arkhangelsk oblast are facing a set of challenges related to defining their own identity as a "third" sector. The terminology used to describe NGOs in Russia – "non-commercial organizations" (*nekommercheskie organizatsii*) or "public-political organizations" (*obschestvenno-politicheskie organizatsii*) reveals that local NGOs are more concerned about their differentiation from the private/business sector (*kommercheskii*) than from state and political organizations (*obschestvenno-politicheskii*).

Local NGOs have also played an active role during election campaigns. For example, during local elections in the city of Arkhangelsk, candidates from local NGOs represented almost 20% of the pool of candidates. Five of them were elected to the City Council, occupying 15% of the seats. Such political involvement by local NGOs is potentially dangerous as it makes the "third" sector appear to be just another political group in the country. When I asked diverse representatives of regional and city authorities in Arkhangelsk how they perceive local NGOs, they usually answered that NGOs are either requesting financial support or playing an active role during elections. Obviously, organizations of the "third" sector have not established themselves as a real partner for local/regional governments or businesses. On the other hand, the fact that a

relatively large number of political leaders are recruited from and find support among local NGOs demonstrates that local NGOs have a good public image and deal with important social and economic issues.

My overall impression from meeting the leaders of local NGOs was that the NGO movement has a strong potential in the region. The NGO leaders were all very committed to their cause and to serving local citizens. They have been able to survive and even grow in extremely difficult social and economic conditions. However, they need to establish their own identity as a "third sector," separate from the state, political organizations, and businesses. They should promote partnerships with governmental and business organizations to play a larger role in the region's economic development, the main priority for all citizens in the area. In working toward these ends, the Arkhangelsk NGOs could benefit from the experience of similar organizations in Central Europe. For example, when I visited a small local NGO which trains young people in diverse traditional crafts, they showed me a wide variety of very nice products made of wood and flax. I told them that in Poland and Hungary similar NGOs have created their own chains of small retail shops where they sell the products thus receiving additional support for their core activities. They had never considered such an idea and were extremely interested in creating their own store in Arkhangelsk as well as in marketing similar products from other local NGOs.

Vasil Hudak traveled to Arkhangelsk on 29-30 September 1997 to participate in a regional meeting on cross-sectoral cooperation organized by the Charity Aid Foundation-Russia, the Russian branch of the British NGO that provides technical assistance and support to NGOs in Russia. For further information, please contact Vasil Hudak at vhudak@iew.s.cz.

ST. PETERSBURG NGOs FIND BUSINESSMEN MORE RECEPTIVE TO FUNDRAISING

by John Varoli

ST. PETERSBURG - After a nearly 70 year hiatus, Russian non-governmental organizations (NGOs) appeared once again in 1987-88 as Gorbachev's policy of perestroika allowed freedom of assembly outside of the Communist Party. By 1997, the number of NGOs in Russia had exploded to almost 30,000, according to Charity Aid Foundation in Moscow. The exact number is extremely difficult to pin down and the Ministry of Justice says there are as many as 50,000 NGOs. Their activities range from a host of social issues to culture and education.

In the beginning, most NGOs rode the wave of Gorbachev-era enthusiasm for new found freedoms as many Russians felt empowered and became active in various causes. As the painful process of reform cut into people's pocket books in the first half of the 1990s, interest in NGO work dwindled drastically and many NGOs collapsed, or remained only on paper, as they had no means to carry out their work. Only a small number were able to secure Western aid grants. Domestic sources of income were not to be found because the country's wealthy class was both too small and uninterested in financing NGO work.

But in the past two years, Russia's NGO sector has been going through a crucial period of maturation and development. A large number of Russian NGOs, especially those in urban centers and areas connected to the energy sector, have been successfully tapping homegrown sources of income. Though the chronic lack of sufficient financial resources remains the greatest problem plaguing the country's NGOs, Russia is now seeing the rise of a philanthropic spirit among those who have the means to contribute. The directors of a wide range of NGOs in St. Petersburg say that local businessmen try to help out as much as they can. And the local press and TV broadcasts are full of reports about Russian companies providing financial and material assistance to NGOs, churches, cultural institutions, schools, as well as various other worthy non-profit causes.

Olya Alekseeva, deputy director of the Charity Aid Foundation says that, "the changes in the non-profit sector that we are seeing now in St. Petersburg can be observed in major cities throughout all of Russia. Russian businesses have a tendency to make donations to many charities; to do so often; and not to brag about it or seek publicity." Donations usually are not large. In general, corporations give small sums of money or in-kind contributions. Since there are no private Russian grant-making foundations in St. Petersburg, or elsewhere in Russia, the key channel for financial support is private companies, according to research by the St. Petersburg based Baltic Humanitarian Fund. In contrast to the West, Russia sees few donations from private individuals. The middle class, which in the West constitutes the bulk of the population and donates generously to charity as private individuals, is still quite small in Russia. Most Russians are too busy meeting their own basic needs and desires.

Russian corporate sponsorship, however, is hampered by several circumstances. First and foremost, the Russian tax system still gives little incentive for firms to make charitable donations. Only 3% of profits are tax-deductible. Marina Levina of the St. Petersburg charity Parents' Bridge, says, "our laws do not support donors. They get no breaks or advantages from giving. It is not like in the West." Because of such problems with the law on charity, Levina thinks that "charity is barely developing in Russia."

Second, many Russian companies are in a difficult financial situation and do not have the profit margin that allows them to readily contribute to charity. Also, successful companies tend to conduct most of their business in the "shadow economy" and try to hide their profits from the tax authorities and the mafia. For example, Levina tells how many organizations are often given donations of goods from companies, but told to sign a receipt for an amount that stipulates a volume of items that is actually three or four times more than what they in fact receive. Some companies, especially criminal organizations, sometimes make donations to false charities or funds in order to launder money.

Third, for just such reasons, charity in Russia has earned a bad reputation. According to the May 2, 1996 issue of the *Chronicle of Philanthropy*, an American journal about NGOs, 74% of Russians could not name a single charity, only 4% believed in the sincerity of charities, and 65% agreed with the statement that "charities are a disguise for dirty tricks."

In St. Petersburg, there are about 3,000 registered NGOs, and only about 1,000 are believed to do actual work. Most of the remaining exist only on paper, while a number of them are nothing more than fronts for commercial and criminal structures. Moreover, most legitimate NGOs are poorly managed, and the Russian media has amply documented the activities of

those who misuse their funds and squander resources. Few NGOs have strict accounting practices, and are not transparent to external auditors and the public.

Paradoxically, despite these dire problems, Russian businessmen have been developing a more positive attitude toward NGOs. According to the Baltic Humanitarian Fund, which questioned directors of 100 banks in St. Petersburg in early 1996, a majority of bankers said that they help NGOs out of moral and ethical conviction. The second most common motivation cited was a desire to strengthen one's reputation in the eyes of the community.

When asked to whom they donate their money, 33.4% named cultural projects as the most popular recipient; 26.6% said that they helped the poor; 17.9% gave to health care; 9.8% to education; 8% to the church; and 4.2% to various other causes. But, such a positive development in attitudes toward charity and a growing social consciousness is not just limited to bankers. Alla Solovieva of the Baltic Humanitarian Fund claims that, "There is hardly a business that does not help out with NGOs; at least a little bit. And many of them do it for unselfish reasons."

Yulya Ivankina of the Janos Korczak Society in St. Petersburg also believes that recently there has been a big change in St. Petersburg businessmen's attitudes toward charity. "Two years ago they thought I was crazy for trying to raise money for charity. Now, Russian businessmen have more money and feel a moral obligation to help." Ivankina says that other reasons stimulating businessmen's philanthropic deeds are good publicity for their companies, while others want the 3% tax break.

Raising funds from local sources for NGO work is certainly a positive development for the success of worthy causes. But of deeper significance is that a spirit of giving and philanthropy has returned to Russia since the Communists stamped it out in the early 1920s. Such social involvement, from well-to-do Russians on behalf of those less fortunate, will play an important role as Russia tries to develop into a civil society.

John Varoli is a free-lance journalist based in St. Petersburg.

CENTER-PERIPHERY RELATIONS

IS THE FEDERAL GOVERNMENT CRACKING DOWN ON TATARSTAN?

by Midkhat Farukshin, Kazan State University

KAZAN - On 10-11 September Russia's gas monopoly Gazprom suddenly limited the gas supply to Tatarstan, understandably shocking the republic's residents. Gazprom supplies 95% of Tatarstan's demand for gas. However, due to systematic payment arrears by Tatarstan's large enterprises, the republic has become Gazprom's fifth largest debtor. Its total debt to the gas giant amounts to 4.3 trillion rubles (\$741 million). According to federal legislation, a firm's debt can be exchanged for shares of its stock. Through this method Gazprom could easily acquire half of the property in Tatarstan.

Negotiations began immediately between Gazprom Chairman Rem Vyakhirev and Tatarstan Prime Minister Farid Mukhametshin and a compromise solution was found. The

compromise plan establishes a schedule of payments according to which Tatarstan will pay only 50% of its September payments in September, and correspondingly 50% in October, 80% in November, and 90% in December. Additionally, 30% of the payments will be transferred in cash, and 70% in barter trade. If Tatarstan sticks to the payment schedule for this year, Gazprom will transfer 989 billion rubles (\$170 million) toward supplying Tatarstan with gas.

Consequently, many in Tatarstan have been asking a question: Is Gazprom's sudden aggressive move a well-hidden federal policy of pressuring Tatarstan's leadership to make it more flexible? Especially since this is not the only example of economic pressure on the republic in the past month. For instance, on 1 October, the Russian government announced its intent to end two projects of crucial importance for Tatarstan: production of TU-324 air-planes at Kazan's aircraft plant, and production of Chevrolet Blazers at Yelabuga's Automobile Factory. The directive ended guarantees of quotas on selling oil abroad and other tax holidays (See *IEWS Russian Regional Report*, 25 September). As a result, both projects would lose their investment bases. Combined with the virtual abandonment of KamAZ by the Federal authorities, one cannot help but wonder: is this an accidental coincidence of events or is it a calculated and focused attack?

BRYANSK GOVERNOR: STROEV TO BE NEXT RUSSIAN PRESIDENT

by Alex Levinsky, Deputy Editor-in-Chief, *The Bryansk Time* [*Bryanskoe vremya*] weekly

BRYANSK -- Bryansk Governor Yurii Lodkin claimed at the news-conference following the "Black Earth" Association meeting last week that Federation Council Chairman and Orel Governor Yegor Stroev was likely to win the next Russian presidential election in 2000. Like some other potential candidates, Stroev distanced himself from an attempt to mount a campaign. He said that "There are too many candidates already. [Yabloko leader Grigorii] Yavlinsky is "a candidate" as is [Moscow Mayor Yurii] Luzhkov... Let's put things in order in Central Russia where we live. Let's work at home, with our own people."

Asked the same question in 1995 before the last presidential election, Stroev gave a similar answer, claiming that his "soul and knowledge belong to Orel Oblast and Central Russia". At the same time he is known as a very secretive and two-faced politician who had denied his desire to be elected Orel governor in 1992 claiming that as the director of an agricultural institution he would devote "the rest of my life to the selection of new sorts of wheat".

Yegor Stroev, 60, is the only former CPSU secretary and Politburo member who has been elected governor. His base of Orel is a traditionally Communist region about 200 miles south of Moscow. In addition to his other duties, he is the chairman of the "Black Earth" regional association which includes the leadership of nine central Russian regions - Bryansk, Belgorod, Kursk, Lipetsk, Orel, Tula, Tambov, Novgorod and Voronezh; and he is also the president of the Council of Associations, an umbrella organization for the other regional associations which covers the entire territory of the Russian Federation.

With his combined positions, Stroev has a significant voice in the legislative branch (as Federation Council speaker) and the executive branch (as governor and leader of the regional

associations). The Black Soil association unites some of Yeltsin's most outspoken enemies including former 1991 coup maker Tula Governor Vassilii Starodubtsev; the rebellious former vice-president, Kursk Governor Alexander Rutskoi, and Bryansk Governor Yurii Lodkin who was sacked by president Yeltsin in 1993 for his support of the Supreme Soviet and who was freely elected again in 1996.

Although there is almost no black earth in the Bryansk, Tula and Novgorod regions, the governors of those regions like to participate in the "Black Earth" association meetings because of its collegial relations. "We are all equal here," claimed governor Lodkin, comparing the situation with that in the "Central Russia" association where Moscow Mayor Yurii Luzhkov is a member. In the Central Russia association, Moscow is rich, while the rest of the central Russian regions are poor.

If Stroevev decides to launch a presidential bid, he can use the Black Earth association and the Council of Associations as a potential "shadow cabinet," Lodkin claimed. However, the Bryansk governor laughed off the possibility of eventually becoming the prime minister or a member of the government.

PATTERNS OF REGIONAL DEVELOPMENT

CAUTIOUS START WORKS WELL FOR NEW VOLGOGRAD GOVERNOR

by Ivan I. Kurilla, Associate Professor of History, Volgograd State University, and Research Scholar, Kennan Institute for Advanced Russian Studies (September - December 1997)

The new Communist governor of Volgograd is establishing himself as friendly toward business. However, his plans are emerging slowly as he was among the most surprised that he won last year's election.

The contemporary political history of Volgograd began in the "hot winter" of 1989-90, when local residents inspired by the 1989 revolutions in Eastern Europe crowded into the streets of the usually quiet city demanding change. Nearly five years of Gorbachev's reformist rhetoric had convinced people that the only opposition to the reforms came from the regional Communist Party leadership. The protesters blamed First Secretary of the Volgograd Regional Party Committee (Obkom) Vladimir Kalashnikov for their plunging living standards. After weeks of protests, Gorbachev pushed Kalashnikov to resign. During that period, Volgograd won a reputation as a "rebel city," and was seen as a leader of democratic reforms on the regional level.

The following years, however, convinced many Volgograd citizens that the new regional elite, which had emerged from communist Nomenklatura opposed to the former first secretary lacked the ability to make much of a difference. The belief that "politics is a dirty business" (common throughout Russia) cooled popular interest in politics, and the economic blow of 1992, when the federal government removed price controls, only served to make people apathetic.

The Communists benefitted most when the Yeltsin team's reform policies caused a severe economic downturn in the city. An alliance of unemployed workers and dependent

peasants turned the region over to the "reds" in the presidential and parliamentary elections of the 1990s. Large industrial enterprises, such as the Red October Steel Factory and the Volgograd Tractor Plant suffered from decreasing demand and skyrocketing prices for raw materials, energy, and transportation. Entire city neighborhoods teetered on the edge of mass unemployment and a complete loss of social infrastructure. The conservative local peasantry, traditionally reliant on government assistance because of the region's poor climatic conditions for agriculture, found it easier to seek further subsidies than to embrace the new market trends.

Following the 1991 coup attempt, Yeltsin appointed Ivan Shabunin governor of the region because of his long-running struggle within the Communist Party against Kalashnikov. Shabunin presented himself as a non-political manager who was responsive to his constituents' needs and easily won the 1993 elections to the Federation Council. (In 1993, the Federation Council was an elective body; now it is made of the regions' executive and legislative leaders who gain their seats *ex officio*.)

By the end of 1995, however, the new, young mayor of Volgograd, Yurii Chekhov, began to gain public support. He was the first Volgograd politician who had no links to any political parties, whether Communist or anti-Communist. Chekhov began his career in the city transportation department, and made public transportation improvements the core of his electoral platform. His proposals struck a popular chord with the electorate since Volgograd extends for more than 50 miles along the Volga river but lacks sufficient transport links and suffers from frequent traffic jams. Chekhov's victory over his rival, Colonel Skopenko, a member of a military unit that had just returned from the Chechen war, in the mayoral election of October 1995 was overwhelming.

This lopsided victory probably led the Moscow authorities to try to use the relatively young and ambitious politician to deliver the region to Yeltsin's camp during the gubernatorial elections of 1996. Three months before the elections Deputy Head of Yeltsin's Presidential Administration A. Kazakov attempted to persuade Ivan Shabunin not to participate in the gubernatorial campaign in order to make way for Chekhov. Instead, the governor made Kazakov's offer public and accused Chekhov of plotting to win the gubernatorial elections in alliance with the despised Anatolii Chubais. The campaign became one of the most heated in contemporary Russian history, with mutual accusations of betrayal, sordid machinations, and even rumors of an attempt to assassinate the governor's wife. That made both politicians much less popular than ever before, but analysts predicted that Governor Shabunin would emerge victorious because of strong support from the peasants and the lack of a significant difference in the political positions of the main rivals. In the first round of the elections Mayor Chekhov lost, thus giving way to the third candidate, Communist Chairman of the City Council Nikolai Maksyuta. Following the runoff a week later, Shabunin's staff was opening champagne bottles to celebrate their candidate's inevitable victory when news came that Maksyuta had won by a slight margin.

The new governor, who had barely even campaigned, was apparently even more surprised than his defeated opponent. It took a couple of months for him to form his staff and fill the vacancies in his administration. The result of "the division of the spoils" demonstrated that the communists had a "short bench," promoting few new faces. They relied on old party bureaucrats and left the bulk of Shabunin's staff in place. Moreover, the new governor is acting extremely

cautiously, not implementing the party's recommendations immediately. As a result, regional communist leader Alevtina Aparina, a member of the State Duma, has criticized him harshly. His cautious approach proved its worth in contrast to fellow Communist A. Shiryaev, who after winning election as mayor of Volzhskii, the second largest city in the region, started rapid changes that created chaos in his city's municipal management. His actions caused such tension that Governor Maksyuta finally told Shiryaev to either improve the situation or resign. Those events suggest that the Communists lack qualified managers -- despite the popularity of their cause among the impoverished population of the Volgograd region.

Meanwhile, nine months after his election, the governor has established himself among the region's political and business elites. He is fighting to ensure that Volgograd receives most of the contracts from the federal budget for rebuilding Chechnya. The recent news that LUKoil will build supertankers at the Volgograd shipbuilding factory, where Maksyuta used to be the director, demonstrates that it may be possible to establish a special relationship with Russia's largest oil company.

Moscow's strategy in last year's regional elections clearly failed. Nevertheless, it may rely on the large portion of the population that prefers non-ideological managers who focus on economic development rather than the preferences of one or another political party.

PROCURATOR FILES CHARGES AGAINST KEMEROVO MAYOR. The Russian General Procurator Gennadii Konyakhin has filed criminal charges against Leninsk-Kuznetskii Mayor Gennadii Konyakhin for abuse of power following the expose of the situation in the region published in *Izvestiya* (See *IEWS Russian Regional Report*, 25 September). The procurator also filed charges against Konyakhin's firm for failing to pay its taxes. Additionally, the federal authorities charged Konyakhin's predecessor, Astafev, with abuse of office. He had helped Konyakhin open several stores in the region in 1995, *Kommersant Daily* reported 2 October. However, the procurator has not collected enough evidence to arrest the popularly elected mayor. - Robert Orttung

DUAL POWER CRISIS CONTINUES IN PRIMORE. Last week Vladivostok's acting (pro-Cherepkov) Mayor Nikolai Markovtsev signed a decree firing Deputy Mayor Yurii Kopylov for "repeated violation of discipline and for ignoring the mayor's directives," RIA Novosti agency reported on 3 October. Kopylov had been installed as the new acting mayor by the regional duma when it decided to oust Vladivostok's controversial Mayor Viktor Cherepkov on 26 September (see *IEWS Russian Regional Report*, 2 October 1997). However, the Duma's action has since been overturned by a district court.

During the period of dual power in the city, Kopylov has been able to win the support of the Primore Bank and, with its cooperation, has transferred over 30 billion rubles (\$5 million) from municipal accounts to various enterprises in the city. Vladivostok's municipal procuracy filed a criminal charge against Kopylov on 3 October for violating the law and for arbitrarily assuming mayor's responsibilities (*Segodnya*, 4 October). The city government, furthermore, filed a suit against the Primore Bank on 1 October accusing it of collaborating with Kopylov's illegal administration (*Vladivostok*, 3 October, <http://vl.vladnews.ru/>). In a counter-move, Kopylov, whose brand new office stationary has been confiscated, issued another decree,

appointing one of his supporters as the head of one of Vladivostok's raions (RIA Novosti, 6 October).

Mayor Cherepkov himself is currently hospitalized and is about to undergo surgery, *Vladivostok* reported on 3 October. However, he maintains a high level of activity in the hospital, issuing directives and orders, and meeting with his staff, the press, and other political leaders. For example, Governor Yevgenii Nazdratenko accompanied by Deputy Fuel and Energy Minister Sergei Kirienko visited Cherepkov on the evening of 1 October, the paper reported. Governor Nazdratenko sent a letter to Federation Council Chairman Yegor Stroev in which he claims that the recent political crisis in Vladivostok is aimed at discrediting him, and that certain figures in the government are misinforming the President about the real state of affairs in Primore, *Segodnya* reported. - Natan Shklyar

BUSINESS BRIEFS

-- After three months of operation in **VLADIVOSTOK**, the **RUSSIAN SMALL BUSINESS FOUNDATION** has lend 19 firms a collective sum of 1 billion rubles (\$170,000). The European Bank for Reconstruction and Development set up the fund in 1994 and it is operating in 16 Russian cities with \$300 million at its disposal. (*Vladivostok*, 26 September)

-- The **SIDANKO** oil company is looking for partners interested in helping it develop the Kovykta gas field near **IRKUTSK**. The field is expected to contain 870 billion cubic meters of gas. Among the interested potential partners are **BRITISH PETROLEUM, EXXON, AMOCO, MOBIL** (all US), **TOTAL** (France), **ENI** (Italy), **JAPAN NATIONAL OIL CORPORATION** and **SUMITOMO CORP**. Sidanko owns a 38% share of the field. The other owners include South Korea's **HANBO GROUP**, the Irkutsk Oblast administration, and the Irkutskenergo utility. (*Moscow Times*, 1 October)

-- **GM** recalled 40,000 vehicles assembled at its Brazilian plant for defective parts that affect the steering. The Brazilian plant supplies the kits that are assembled by the GM venture in Yelabuga. So far, there is no talk of a recall in Russia. (*Kommersant-Daily*, 2 October)

-- The **MOSKVICH** plant will produce 22,000 cars this year after essentially standing idle in 1996. (*Kommersant-Daily*, 2 October)

-- The **ST. PETERSBURG BRAVO** plant has signed an agreement to produce beverages under licence by the British **ALEXANDER GORDON & CO**. Gin and Tonics have become extremely popular in Russia and every year their sales increase 30-50%. The factory has been operating since March 1997 and has a capacity of 42,000 cans and 10,000 bottles an hour. (*Kommersant-Daily*, 3 October)

-- **MOSCOW** is planning to issue a second tranche of Eurobonds worth \$500 million in October according to Aleksandr Sysoenko, the head of the Moscow Commission for the

Development of the Stock Market. However, Deputy Director of the Committee on Municipal Debt and the Development of the Stock Market of the Moscow Government Sergei Pakhomov said that the issue would not come until next November. **SVERDLOVSK OBLAST** is moving ahead with its \$100-150 million Eurobond issue. It won the same credit rating as Russia, BB- from Standard and Poor's and Ba2 from Moody's. The only other cities to issue Eurobonds so far were St. Petersburg and Nizhnii Novgorod. (*Segodnya*, 3 October)

-- Norway's **STATOIL** and **GAZPROM** will team up to explore for oil in the Medyn field in the Pechora Sea off **ARKHANGELSK OBLAST**. The site is one kilometer off shore. (*Moscow Times*)

-- -- **SBC WARBURG** will manage the issue of \$150 million worth of Eurobonds by East Siberia's largest power utility **IRKUTSKENERGO** in early 1998. Money raised through Eurobonds will be used for major capital investment projects, including the construction of fiber optic communication lines and switching to more environmentally clean energy sources. (*Segodnya*, 7 October)

SECTORAL ANALYSIS

FLAX PRODUCERS STUDY FALLING OUTPUT

by Boris Goubman, Professor, Tver State University

TVER - On 26 September, the Tver Trade and Industrial Chamber organized an Interregional Conference on the "Development of Flax Producers in Russia." Conference participants included representatives of regional governments in Moscow, Tver, Ryazan, Volgograd, as well as directors of flax producing and processing companies. Russia's share of the international flax fiber production dropped from 24 % in 1992 to 19% in 1995, according to Tver Deputy Governor Valerii Rummyantseff. The drop was the result of a lack of financial resources and the disparity between high prices for industrial goods and low prices for agricultural products. In addition, the flax processors are greatly indebted to the growers. With 46,000 hectares of flax, growers in Tver Oblast are unable to buy the necessary equipment they need to harvest their crops effectively. Moreover, the equipment of the enterprises processing the flax is 20-25 years old. The combined problems cause crop losses of up to 50% during harvesting and processing. Despite these difficulties, Russia remains one of the world's largest flax producers, along with France and China who both produce about 18% of the international supply.

Many of the Conference participants complained about the lack of protection from foreign textile producers, low prices for raw flax, and the federal government's poor record of support for flax producers. Short on cash, many growers must rely on barter exchange, but the agricultural equipment they trade for is two times more expensive than if they had paid in cash. However, some companies are ready to help the producers. M. Gouberman, the head of "Glukhov Textile" said that his company had set up direct relations with Tver's raw flax producers with the financial support of Moscow Oblast Governor Anatolii Tyazhlov.

Russian Federation Deputy Economics Minister Ivan Starikov announced a 5 trillion ruble (\$850 million) federal loan plan to support flax producers. He said that 85% of this sum is earmarked for distribution in the regions on a competitive basis. In the middle of 1998 the World Bank is also going to offer Russian flax producers a \$50 million loan. However, the revival of Russia's flax production depends not only on securing loans, but introducing new methods of management and radically changing how producers approach their business activity.

ECONOMIC ISSUES

MOSCOW BANK OPENS BRANCH IN BRYANSK. Moscow's Unicorbank has opened a branch in Bryansk Oblast (220 miles southwest of Moscow). The event is unusual because the region is generally known for preventing Moscow-based financial institutions from entering the local market. Viktor Martyanov, the former president of the recently liquidated Bryanskotsbank is the director of the branch. He has hired as his deputy Irina Osadchaya, who failed to gain confirmation from the Bryansk regional legislature when she was nominated for the position of vice-governor earlier this year. An independent source claims that the oblast administration, which is a cofounder of the branch, invested a substantial amount of money into it.

In an interview, Martyanov claimed that he didn't know how the four-year-old Moscow bank was able to enter the local market so quickly. Osadchaya commented that otherwise "there are almost no reliable banks in the region".

Until now only the most powerful of the Moscow banks, such as Rossiyskii Kredit, Menatep, Inkombank have been able to enter the market. At the same time, the Russian Central Bank has deprived several local banks of their operating licenses. - Alex Levinsky in Bryansk

TVER SEEKS INVESTMENT FROM GAZPROM. Gazprom has several plans for the development of Tver Oblast and Central Russia as a whole. The gas pipe-line project linking the Yamal-Nenets Autonomous Okrug with the Western Border will run through the territory of Tver Oblast, and there is also a project to construct two underground gas storage tanks there. Recent geological surveys also indicate that there could be rich gas deposits in the region. Combining a search for gas deposits with the construction of the tanks could save a considerable amount of money. Tver Governor V. Platov is currently lobbying Gazprom President Rem Vyakhirev to expand the on-going exploratory work in the region. Successful results would provide a new impetus for the development of this part of Russia. - Boris Goubman in Tver

FOREIGN TIES

LUKASHENKO VISIT TO REGIONS CANCELLED. The federal government cancelled the visit of Belarusian President Aleksandr Lukashenko to Yaroslavl and Lipetsk just hours before he was to take off on 2 October. Yeltsin cancelled the visit because the Belarusian authorities refuse to release Russian Public Television journalist Pavel Sheremet, a Belarusian citizen, who was detained in July. On 1 August Kaliningrad Governor Leonid Gorbenko had

refused to see Lukashenko just a few hours before the president left Minsk. In this case, the governors were prepared to receive him, but the Kremlin prevented it. *Nezavisimaya gazeta* on 3 October reported that incident shows that Moscow does not know how to handle relations with Lukashenko and that the refusal was an insult for both Lukashenko and the Russian governors. Lukashenko angrily denounced Moscow over the incident.

Before the trip was cancelled, both Lukashenko and the governors had stressed that their main purpose was to strengthen economic ties. However, *Izvestiya* on 2 October pointed out that regions in the so-called "red belt" and Moscow have different priorities in regard to Lukashenko. The Belarusians see the pro-communist governors as more sympathetic to the cause of integrating Russia and Belarus than the Moscow political elite. Although Yeltsin and his allies had initially pushed for integration, they are now increasingly embarrassed by Lukashenko's authoritarian style and his pariah status abroad. The Russian Foreign Ministry also took offense that the regional administrations had not consulted it during the preparations for the visit. - Robert Orttung

REGIONAL PROFILE: REPUBLIC OF MORDOVIYA

President: Nikolai Merkushin

Nikolai Merkushin, 46, was elected president of Mordoviya in September 1995. After graduating from Mordovian State University, he stayed on as a full-time Komsomol functionary, first as a deputy secretary of the Komsomol organization and then as a secretary. From 1977 to 1987, he worked as a secretary, second secretary, and, finally, first secretary of the Mordovian Komsomol organization. After that, at age of 35 he became the first secretary of the Tengushevsk District Communist Party committee and four years later became second secretary of the republic's party committee. In 1992 he was appointed chairman of the republican State Property Committee. Since 1993, Merkushin has been a member of the Agrarian Party of Russia's republican Council.

He has run unsuccessfully for public office several times: in 1990 for the republican Supreme Soviet, in 1991 for the republican presidency, and in 1993 for the Russian Federation Council. In 1994 he was elected to the republican State Assembly and served as its chairman from January 1995 until his election as president.

Other Local Leaders

Chairman of the State Assembly -- Valerii Kechkin, elected in 1995

Brief Overview

The territory inhabited by the Mordvins became a part of what is now considered Russia in 1552, after the defeat of the Mongol horde. Mordvins, the titular nationality in the republic, now make up only one third of the republican population, while there are nearly twice as many Russians. The republic is located in the center of European Russia and shares borders with Nizhnii Novgorod, Ryazan, Penza, and Ulyanovsk oblasts and Chuvashiya.

The republic's natural endowment includes resources for the production of construction materials, particularly clay, sand, and cement. Half of the republic's GDP comes from machine-building and metallurgy. The republic also is home to Russia's largest chemical and oil-processing enterprise, Rezinotekhnika, which manufactures over 15,000 products that are used for manufacturing cars, electronic equipment and machinery for the energy industry. Additionally, Mordoviya boasts Europe's largest cement producer, "Mordovtsement." Republican agriculture, which produces about 30% of the regional GDP, specializes in the cultivation of grain, potatoes, and vegetables and cattle-breeding.

The republic has foreign trade with over 50 countries. It exports electronic and chemical equipment, medicines, automobiles and trucks, and timber. The republic has 22 joint ventures with partners from Ukraine, India, Hungary, Estonia and other countries. Most of these enterprises specialize in commerce. The only industrial joint venture is a British-Russian brewery, "Saranskaya Pivovarennaya Kompaniya."

Basic Facts

1995 Population (est.): 959,600 (0.65% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 0.34%

Agricultural production as percentage of all Russian production (1994): 0.69%

Average personal income index in July 1995: 57 (Russia as a whole = 100)

Price basket index in July 1995: 75 (Russia = 100)

Average back wages owed per person (September 1995): 45,800 rubles (Russian average = 37,100)

Urban population: 58.6% (Russia overall: 73.0%)

Student population (1993): 229 per 10,000 (Russia overall: 171/10,000);

Pensioner population (1994): 26.43%

Percent of population with higher education (1989 census): 8.9% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 30.9% (Russian average: 29.9%);

Agriculture: 21.1% (12.8%); Trade: 6.8% (9.1%); Culture: 11.9% (13.6%); Management: 2.4% (2.3%)

Number of telephones per 100 families (1993): in cities : 38.9 (Russian average: 41.5); in villages: 13.3 (17.2)

According to a 1995 survey by Bank Austria, the republic is ranked 43rd among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Zyuganov: 49.71%/47.74% (first round/second round)

Yeltsin: 24.14%/45.63%

Lebed: 10.64%

Zhirinovskiy: 6.86%

Yavlinskii: 3.00%

Turnout: 70.17%/75.41% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 22.84%

Our Home Is Russia: 19.56%

Liberal Democratic Party of Russia: 19.51%

Agrarian Party of Russia: 4.98%

Communists -- Workers' Russia: 4.31%

Congress of Russian Communities: 3.46%

Derzhava: 2.52%

Yabloko: 2.41%

Women of Russia: 2.22%

In single-member districts: 1 independent

Turnout: 67.20% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 36.17% "No" -- 63.83%

1993 Parliamentary Elections

Liberal Democratic Party of Russia: 35.34%

Communist Party of the Russian Federation: 18.74%

Agrarian Party of Russia: 12.46%

Russia's Choice: 7.65%

Women of Russia: 6.14%

Yabloko: 5.39%

Democratic Party of Russia: 4.89%

Party of Russian Unity and Concord: 4.03%

In single-mandate districts: 1 Communist Party of the Russian Federation

From electoral associations: 1 Communist Party of the Russian Federation

Turnout: 62.13% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 61.63%

Ryzhkov: 12.32%

Tuleev: 7.73%

Zhirinovskiy: 6.92%

Makashov: 5.52%

Bakatin: 2.41%

Turnout: 82.87% (Russia overall: 76.66%)

Sources: Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections], Moscow: Yuridicheskaya Literatura, 1995; Itogi vyborov 17 dekabrya 1995 goda

po regionam [Results of the 17 December 1995 elections, regional breakdown], Moscow: Panorama, 1996; Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995], Moscow: Central Electoral Commission, 1996; Gubernatory Rossii [Governors of Russia], Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: Regional Risk Rating in Russia, Vienna: Bank Austria, 1995.

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Dear Readers,

Khanty-Mansii Autonomous Okrug Governor Aleksander Filipenko and Yamalo-Nenets Autonomous Okrug Governor Yurii Neelov will speak on "Federalism and Natural Resources Management in Russia: The View from Western Siberia" at Columbia University in the Lindsey Rogers Common Room 7th Floor IAB, 4:00-6:00 pm on 21 October. For further information, please contact: Susan Holmes (212) 854-8487; Fax: (212) 666-3481, or by e-mail: sh42@columbia.edu.

In Washington, they will speak in the Dillon Ripley Center's Lecture Hall on 23 October from 2 to 4. Please contact the Kennan Institute at (202) 287-3400 for further details and to confirm.

The RRR editors

IEWS Russian Regional Report
Vol. 2, No. 35, 16 October 1997

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TABLE OF CONTENTS

Breaking News

A Survey of Key Events in Russia's Regions

Special Report

Surgutneftgaz Opens its Own Window on the West in Leningrad Oblast

Center-Periphery Relations

Government Strikes Deal with Irkutsk Oblast

Gonchar: Tatarstan Behind in Payments to Federal Budget

NEWPersonal Insights

Kaliningrad Governor Upsets Neighbors

Patterns of Regional Development

Bryansk Governor Violates Freedom of the Press

Regional Boss in Tatarstan Builds Local Empire

Despite Protests, Novosibirsk Shows "Last Temptation of Christ."
Old Siberian Apparatus Remains in Place

Business Briefs

A Weekly Summary of Key Deals in the Regions

Economic Issues

Banking Crisis in Tver: Who Will Cover the Debts?

Who Stole \$1 Billion From Tatarstan's Kamaz?

Real Estate Market Booming in St. Petersburg

Foreign Ties

German Investors Concerned About Crime in St. Petersburg

Swiss Do Not Buy Textile Giant in Novosibirsk

Italian Shoes To Be Made in Dagestan

Regional Profile: Lipetsk Oblast

BREAKING NEWS

2 October

-- Chairman of the **UDMURTIYA** State Council Aleksandr Volkov's attempt to change the republican constitution by creating a presidency suffered a setback when he could not muster enough support to put the issue on the council's agenda. Volkov, the candidate most likely to win the first presidential campaign, wants to introduce the post to strengthen his hand in a on-going dispute with the mayor of Udmurtiya's capital Izhevsk. The republic currently has a parliamentary form of government. (*Nezavisimaya gazeta*, 8 October)

7 October

-- **KHABAROVSK** Governor Viktor Ishaev accused several "highly placed Moscow bureaucrats" of not carrying out the orders of the president and the prime minister because the Program for the Economic and Social Development of the Far East and Transbaikalia for 1996-2005 remains unfulfilled. Ishaev complained that there was no funding for the program and that there is no staff to implement it. First Deputy Prime Minister Boris Nemtsov is in charge of the program and Ishaev is serving as his deputy. Yeltsin signed the program while he was in Khabarovsk during the presidential campaign last year. (*Kommersant-Daily*, 8 October)

8 October

-- President Boris Yeltsin named former Arkhangelsk Mayor and Deputy Governor Valentin Vlasov as his representative in **CHECHNYA**, replacing Security Council Secretary Ivan Rybkin in this post. Vlasov worked for six years in various posts in Central Asia. The change is unlikely to signal a major shift in the Kremlin's policy toward the separatist republic. (*Nezavisimaya gazeta*, 9 October)

-- The employees of four birthing centers in **PRIMORSKII KRAI** sent an open letter to the presidential representative in the region, Viktor Kondratov, warning that the situation in their centers was catastrophic and could lead to the death of a mother or new-born infant. The letter

complained of a lack of medical supplies and food. The centers lost their financing at the beginning of the year and the workers have not been paid in five months. A mother died earlier this year when doctors could not stop her bleeding during a power outage. (*Segodnya*, 9 September)

9 October

-- **PRIMORSKII KRAI** authorities declared a state of emergency in the southern part of the krai because of interruptions in the water supply affecting more than one million people. Reserves for Vladivostok and Artem are less than 50% of their usual level. (*Kommersant-Daily*, 10 October)

12 October

-- Communists won 13 of 35 seats in the elections to the **BELGOROD OBLAST** Duma, increasing their representation five times. In the city of Belgorod only 27% of the voters turned out while 60% of the rural residents participated. The Communists tend to have much greater support among the rural residents. Other parties did not win any of the remaining seats, all of which went to independents. (*Segodnya*, 14 October)

14 October

-- Deputy Fuel and Energy Minister Sergei Kirienko announced that he expected Azerbaijani oil to begin flowing across **CHECHNYA** on 7 November. He said that 78.4 kilometers of the 113 kilometer Chechen pipeline had been repaired. (*Segodnya*, 15 October)

SPECIAL REPORT

SURGUTNEFTIGAZ OPENS ITS OWN WINDOW ON THE WEST IN LENINGRAD OBLAST.

ST. PETERSBURG - Surgutneftgaz (Surgut), Russia's third largest oil company, is building a port at Batareinaya Bay on the Gulf of Finland, some 60 kilometers southwest of St. Petersburg. When completed, it will be the first time a private Russian company has built its own port.

Viktor Manoilin, director of Surgut in St. Petersburg and the man overseeing the port project, said that Surgut will annually export 7 million tons of petroleum products, such as diesel and heating fuels, through Batareinaya. The overall port capacity, however, is expected to be double that amount. The greatest advantage of the new port will be that Surgut can cut back on expensive transit fees that it has hitherto been paying the Baltic States in order to export its product to western markets.

The building of the Batareinaya port is not an isolated action by one Russian company, but part of a concerted effort by the Russian government to strengthen its presence in the Baltic Sea region. Over the next 15 years Russia plans to build three new ports on the Gulf of Finland in Leningrad Oblast with a planned 95 million ton capacity at a cost of over \$3 billion. Plans also envisage the renovation and enlargement of the port of St. Petersburg, as well as the

resurrection of Russia's beleaguered merchant fleet in the region. A port at Ust-Lauga, which will handle coal and fertilizers, is already under construction. And a third port at Primorsk, which will export 45 million tons of crude oil and petroleum products - making it the largest oil export port in Russia, is planned to begin construction in October.

"When completed, the three new Baltic ports will save Russia around \$1 billion a year, allow the country to break its dependence on the ports of the Baltic States in exporting its natural wealth to foreign markets, and become a leading economic force in the region," said Peter Alalikin, an expert on the ports at the administration of the Leningrad region. While on a 6 June visit to St. Petersburg, President Yeltsin gave his full support to the project with a decree that designated the three ports as the main transit point for Russian trade to guarantee "the economic security of Russia". During official ceremonies on 19 June, laying the first stone at the Batareinaya port, President Yeltsin sent a message stating that, "to a large extent the economic future of Russia will be decided on the shores of the Baltic Sea."

After the collapse of the USSR, Russia lost five of its most modern ports to the newly independent Baltic states, and was itself left with three smaller and antiquated ones. To remedy this situation, in December 1992, President Yeltsin signed a decree laying the legal foundation for the construction of three new Baltic ports. Until 1997, financial problems kept these projects on hold.

For the past 5 years, the Baltic States have been in an ideal position to milk Russia by working the transit trade. The largest and most modern oil terminal along the former Soviet Baltic coast is at Ventspils in Latvia, having been built by Moscow in the 1960s. According to Ventspils' own statistics, published in *Delovoi Peterburg*, it exported 27 million tons of Russian oil and other fuels in 1996.

The losses to Russia's oil industry are large. According to a report written by Alexander Parfenov, head of the State Marine Design Institute, "38 million tons of Russian oil and other fuels flow through the Baltic States and cost Russia \$480 to \$560 million each year in transit fees for the export of these products." Each ton of petroleum costs Russia \$15, while a ton of other fuels cost about \$20. Manoilin said that Surgut will save a lot of money by exporting through Batareinaya, and that the project will recoup its costs in three years.

According to Manoilin, Batareinaya is currently being outfitted with the suitable infrastructure, while work on the actual port will begin in the middle of 1998. Vladimir Bogdanov, president of Surgut, says that Russian construction companies will be used, though high-tech equipment for automating the port will have to be purchased from western manufactures. Manoilin said the first tankers should be heading west in the year 2000, and the port should be fully completed by 2001. To bring the oil to the port from the interior, Surgut is building a \$100 million pipeline to connect Kirishinefteosinteza, Surgut's oil refinery in Leningrad Oblast. Bogdanov, told reporters at the 19 June ceremonies that, "the Batareinaya port will give a big boost to the oil refinery business in Russia". The Kirishinefteosinteza refinery is set for a massive modernization overhaul. While Manoilin would not say how much that project will cost, he said that it is much bigger than the Batareinaya project.

According to Manoilin, Surgut will foot the entire bill, and has so far paid \$200 million for the first half of the project. He also added that, together with the pipeline, the whole port complex could cost \$500 million. According to a report in *Kommersant Daily*,

ONEKSIMbank has reached an agreement with Surgut to make a \$80 million credit for port construction.

While Russia's plans have a sound economic basis to them, the political ramifications has not escaped Russian officials. On June 6, when President Yeltsin was visiting St. Petersburg, Presidential spokesman Sergei Yastrzhembskii said the new ports will reduce Russia's need to use those in the Baltic States and added that "the Baltic countries should think hard about their policy toward Russia." Also at that time, Security Council Secretary Ivan Rybkin told reporters in Kaliningrad Oblast that Russia plans to increase its "defense capability" in the Baltic region. Realization of Russian plans will certainly strike a blow to the Baltic States' transit trade industry - one of the most important parts of their economies. Ninety percent of the Baltic State's entire cargo turnover is from, or bound for, Russia. And the total volume of Russian cargo grows by 15-20% annually. Tax revenues just from the port of Ventspils, for example, cover up to 30% of the Latvian state's budget, and 25% of the country's GNP is connected to the Russian transit trade.

According to Russian government projections, by the year 2010, the amount of Russian transit trade through the Baltic States should decrease 75%, from current levels of 42 million tons to 10 million tons. By that time it is envisaged that all of Russia's Baltic ports will be handling a total of 80 million tons of cargo annually, up from current level of 19 million tons.

Lev Savulkin, an economist at St. Petersburg's Leontief Center, however, thinks that the Baltic ports will nevertheless be able to adjust to the winds of change on the Baltic Sea and continue to provide stiff competition in the transit trade business. "Geography is in favor of the Balts. It is easier to get to the European market from Lithuania or Latvia than from Leningrad Oblast. Also, the Balts are planning to modernize their ports and they provide more favorable tax and customs duties than Russia."

John Varoli is a freelance journalist based in St. Petersburg.

CENTER-PERIPHERY RELATIONS

GOVERNMENT STRIKES DEAL WITH IRKUTSK OBLAST. The Russian government appears to have solved its feud with Irkutsk Oblast over control of its lucrative electricity industry, based on cheap hydro-electric power. (*Kommersant Daily*, 15 October). Back in 1992 Irkutsk refused to hand over 49 percent of the shares in the region's electricity company to the national corporation Unified Energy System (EES). Irkutsk was the only region to refuse to hand over the shares, arguing that the oblast budget was uniquely dependent on the region's electricity industry. The Constitutional Court backed the oblast in 1993, and there the situation stood for the next several years (although Moscow tried to restrict Irkutsk's efforts to export electricity to Mongolia and Kazakhstan). In September, First Deputy Prime Minister Boris Nemtsov set up a conciliation commission to discuss the issue with the oblast's leaders, and it has now been agreed by both sides that the oblast will transfer 20% of the shares in the regional utility to the national government (which will presumably sell them for cash). The oblast had already sold 9% of the shares: they will retain the remaining 20%. It seems that the oblast won some important concessions from Moscow as part of this deal. The government is likely to

allow the oblast to supply electricity at a specially-low rate to the chemical and metals plants in the territory (such as the Bratsk aluminum works). Moscow already allowed the Novokuznetsk metalworks (in Kemerovo) to be supplied with electricity at only 1.2 cents per kilowatt-hour. Second, the government will help Irkutsk press ahead with an ambitious, \$15 billion project to build a line to supply electricity to China: a venture which could generate \$400 million a year.

Former Irkutsk Governor Nozhikov resigned 21 April after his attempts to win greater concessions from Moscow proved to be a failure. Elections in July brought Boris Govorin, a Nozhikov ally to office. - Peter Rutland

GONCHAR: TATARSTAN BEHIND IN PAYMENTS TO FEDERAL BUDGET.

There is some confusion regarding the precise status of the Russian government's financial relations with Tatarstan. According to State Duma deputy Nikolai Gonchar, interviewed in *Nezavisimaya gazeta* on 10 October, for several years Tatarstan has been allowed to keep 50% of the VAT payments collected in the republic, while other federal subjects can keep only 25%. Moreover, Gonchar alleged that in May Tatarstan decided to send financial support to Chechnya in lieu of some of its payments to the federal budget. Partly as a result of this, Gonchar charges, Tatarstan has only sent half of the 1.6 trillion rubles (\$270 million) it was supposed to send to the federal budget so far this year.

In response, Tatarstan Deputy Finance Minister Aleksei Shishkin told *Kommersant-Daily* on 14 October that during the first nine months of 1997, Tatarstan had paid more than 2.6 trillion rubles into the state budget, 20% more than for all of last year. He also said that the republic was not giving any financial aid to Chechnya. In informal conversations, other officials in the ministry described Gonchar's assertions as "absurd." - Peter Rutland

PERSONAL INSIGHTS

Note to readers: This section will contain information provided by unpublished as well as published sources.

KALININGRAD GOVERNOR UPSETS NEIGHBORS. Kaliningrad elected Leonid Gorbenko its governor on 20 October 1996. He defeated the incumbent Yurii Matochkin on a platform that presented him as a "strong manager." However, he has incurred the ill will of neighboring Poland and Lithuania by restricting grain imports. Gorbenko's priorities - grain production, self-sufficiency, and modernization of the oblast's fishing fleet - gives him the image of a Soviet-style technocrat. Federal officials describe him as an "enigmatic" person. With his base in the local port administration and his lack of knowledge of foreign languages, he is much more inward looking than his predecessor. Gorbenko reinforced this inward and Eastern perspective by sacking a large part of Matochkin's administration, including the entire international department. At least earlier this year, not a single member of the staff could speak Polish!

Gorbenko recently complained that the signing of the current draft treaty defining the border with Lithuania would "result in the isolation of the oblast" (*Kommersant-Daily*, 10 October). Yeltsin is expected to sign the treaty at a summit with his Lithuanian counterpart on

23 October (*Nezavisimaya gazeta*, 10 October). In defining the border, the treaty will remove an obstacle to Lithuania's joining NATO.

In comparison to Matochkin, who as a former minister had many personal contacts in Moscow, Gorbenko has a very poor network outside Kaliningrad. Nevertheless, he makes frequent trips to Ukraine where he has relatives and is engaged in working out a deal in which the country will supply gas to Kaliningrad. - RRR editors

PATTERNS OF REGIONAL DEVELOPMENT

BRYANSK GOVERNOR VIOLATES FREEDOM OF THE PRESS

by Alex Levinsky, Deputy Editor-in-Chief, *The Bryansk Time* [*Bryanskoe vremya*] weekly

BRYANSK -- The co-founders of the popular weekly "*BK-Fact*" have sacked Editor-in-Chief Vladimir Pronin, a former personal friend of Bryansk's Communist Governor Yurii Lodkin. Outside observers believe that Lodkin is responsible for the move. Mr. Pronin is now suing the paper's founders.

Until the sacking, *BK-Fact*, the former Communist weekly ("BK" stands for "*Bryanskii Komsomolets*," the original name of the newspaper) had two Editors-in-Chief: Vladimir Pronin who led the paper for five years and his replacement who had served as the Deputy Editor-in-Chief in another regional weekly. The local printing plant which belongs to the oblast administration and which is a monopolist in the region refused to print the issues signed by Pronin. During the on-going subscription campaign they are printing a paper under the same name filled with stories written by journalists at the pro-Communist *Bryanskii Rabochii* (Bryansk Worker).

Governor Lodkin's press-service has issued a statement saying that if the court rules against Pronin, he will be offered a position in the administration. The Governor's offer is not a sincere expression of trust in Pronin because without his order -- even oral -- the Press Department and the printing plant would never refuse to print a paper signed by its legitimate editor. Observers believe that the conflict is more political than personal and just confirms the continuation of the Communist-era "telephone law" when a call from the top meant more than justice.

"The coup" took place at a meeting of the weekly's owners: the Kladez (Treasure) company represented by Vladimir Melnikov who is the Editor-in-Chief of the local pro-communist daily *Bryanskii Rabochii* (Bryansk Worker), and the regional Committee of the Russian Youth League represented by its secretary, Nikolai Mamichev. During the meeting, Melnikov and Mamichev accused Pronin of "playing political games" but the official reason for sacking him, they claimed, was his failure to meet the deadline for officially reregistering the paper following its reorganization.

Pronin charged, however, that he was dismissed because of the paper's "independent coverage of the oblast administration's activities" following last year's gubernatorial election. He claimed that he also suspected the first vice-governor's involvement in shutting down the paper because it had published information questioning his mental health.

In an interview, Pronin explained why his paper had been critical of Governor Lodkin. During the campaign the weekly's print-run was increased three-fold to 100,000 with the financial support of Lodkin's backers. Pronin himself helped raise 100 million rubles (about \$20,000). Before the election he had been promised the directorship of the state-owned local TV company, but was denied this spot following Lodkin's victory. Moreover, he claimed that the Governor promised to ask for his advice when making high level appointments, but never did. As a result a former kolkhoz (collective-farm) chairman was appointed as the first vice-governor for regional investments. Pronin also insists that Lodkin, who had been supported during the campaign by the pro-Communist movement "Patrioticheskaya Bryanschina," had promised to dismiss appointees nominated by the movement one by one and "allow them to be criticized." When Pronin began publishing critical reports, the Governor broke his promise, Pronin claimed.

The Presidential Commission on Information Disputes and the regional procurator's office have noted that Pronin's dismissal violated Russia's law on the Freedom of the Press because the third owner of the paper and the employees of the paper did not have a chance to participate in the meeting that fired him.

Pronin says that now he wants to remove the current owners of the paper and control it in alliance with the other employees. He argued that when he arrived at the paper it had been losing money and now it is profitable.

Bryanskii Rabochii Editor-in-Chief Melnikov, one of the co-owners of the paper, says that "Pronin thinks it's his newspaper". The other co-owners acknowledge the growing circulation but say they "don't like the way the money is made". They have refused to provide more details on the sources of funding. The local press mostly supports Pronin in his efforts to return to his editorial office.

REGIONAL BOSS IN TATARSTAN BUILDS LOCAL EMPIRE

by Midkhat Faroukshine, Kazan State University

Tatarstan's weekly *Kazanskoe vremya* (10-16 October) published an open letter signed by 46 residents of the Sarmanovskiy district describing the appalling and arbitrary behavior of the district's political elite, exemplified by the head of the district administration, Anvar Zhalakov. Upon becoming the regional boss, Zhalakov arbitrarily fired 70 people, most likely to fill their spots with his own cronies. Zhalakov's relatives now hold positions as police chief and his deputy, director of the traffic police, director of the local utilities agency, head of the food processing agency, directors of two agricultural cooperatives, and senior administrator of a local health facility. Additionally, Zhalakov recently built a new mansion in the center of Karmanovo, the district's capital. The house is valued between 2-3 billion rubles (\$345,000-515,000), which does not include its luxurious furnishings, imported plumbing, and a huge sauna and pool. One chandelier in the hallway alone cost 18 million rubles. Everything was paid for with public funds.

The letter goes on to claim that the directors of the local collective farms have become practically powerless under the new administration. Zhalakov himself spends funds gained from the sale of agricultural foodstuffs, so that the farm directors don't know where the profits go. To

this day nobody knows how 16 billion rubles from the 23 billion that came in to the district budget was spent. The letter proposes to rename Sarmanovskii district as Zalakovskii, since the district de facto works for the Zalakov family. When Zalakov's daughters were getting married, he bought them rings and necklaces through the government store, charging the jewelry as equipment. Zalakov's wife lives in Kazan and commutes to the region in a state-owned car. Moreover, workers from the local state service company work on Zalakov's personal garden and clean his house.

DESPITE PROTESTS, NOVOSIBIRSK SHOWS "LAST TEMPTATION OF CHRIST." Novosibirsk has unexpectedly found itself in the front ranks of those fighting for freedom of speech and conscience. The local television company NTN broadcast Martin Scorsese's film "The Last Temptation of Christ" only four months after the national network NTV reversed its decision to show it after coming under unprecedented pressure from the authorities and the "Orthodox Christian community." Despite pickets of its studios, numerous protest letters, and appeals to the media and authorities, the NTN television company resisted the pressure to cancel the broadcast. The actual broadcast was surprisingly uneventful. - Konstantin Kanterov in Novosibirsk

OLD SIBERIAN APPARAT REMAINS IN PLACE. The Siberian Academy of Civil Service recently conducted a study to determine how much turnover had taken place among the civil service of Siberia, *Krasnoyarskii rabochii* reported 30 September. The study found that 60%-80% of the members of the raion administrations had formerly worked for the raion branches of the Communist Party, the raion executive committees, or the Komsomol. The researchers examined the republics of Altai and Khakassiya, Altai and Krasnoyarsk krais, and Tomsk and Novosibirsk oblasts. The new employees have generally filled low level staff openings rather than senior positions. The Academy said that its findings have disproved the opposition's charge that "the democrats have taken power." - Robert Ortung

BUSINESS BRIEFS

-- **AVTOVAZ** General Director Aleksei Nikolaev complained about the plans of **Nizhnii Novgorod's GAZ** (Gorkii Automobile Plant) to assemble Fiats because traditionally AvtoVAZ has been the only producer of small cars in Russia while GAZ has concentrated on trucks and Volgas. However, AvtoVAZ has not protested recent projects to build Daewoos in Rostov, Kias in Kaliningrad, or Hyundais in four regions suggesting that it is upset that the GAZ project has received considerable support at the federal level, particularly from former Nizhnii Novgorod Governor and current First Deputy Prime Minister Boris Nemtsov. Nemtsov has poor relations with the Samara plant since he has threatened it with bankruptcy for its unpaid debts. (*Kommersant-Daily*, 8 October)

-- The **YAMAL-NENETS AUTONOMOUS OKRUG** is planning to issue \$250 million worth of Eurobonds in February 1998. **SALOMON BROTHERS** and **LEHMAN BROTHERS** are both competing to serve as the manager of the issue. The okrug is also

planning to issue 200-300 million rubles worth of bonds on the domestic market. Additionally, it is seeking a \$150 million syndicated credit from western banks in December. (*Kommersant-Daily*, 10 October)

-- The **EBRD** is considering helping finance the production of a new car at **NIZHNI NOVGOROD'S GAZ** plant. GAZ is the only company to which the EBRD is willing to make loans without a government guarantee. The bank has already committed \$425 million to GAZ's deal with Fiat. Russian car makers are slow to bring out new models. GAZ is still producing variations on its original Volga from the end of the 1960s. (*Kommersant-Daily*, 10 October)

-- The **KRASNOYARSK ALUMINUM FACTORY** named its fifth director in four months on 10 October. The new director is Yurii Ushenin, the former deputy director of Krasnoyarskenergo. The plant is now controlled by the British **TRANS WORLD GROUP**, the **ROSSIISKII KREDIT BANK**, and **TRASTKONSALT**. The board meeting excluded the Swiss **GLENCORE INTERNATIONAL** and the South Korean **DAEWOO** from the management. The move marks the consolidation of power by Rossiiskii Kredit, but may cause the other owners to unite against it, creating further instability at the plant. (*Kommersant-Daily*, 11 October)

-- The **US AGENCY FOR INTERNATIONAL DEVELOPMENT (AID)** is teaming up with **SBS-AGRO BANK** to provide loan guarantees to boost private sector lending to small businesses. Under the five-year program, the AID will provide of up to \$150,000 through SBS-Agro branches initially in **NOVGOROD OBLAST, PRIMORSKII KRAI**, and **KHABAROVSK KRAI**. (*Moscow Times*, 9 October)

-- The **UNITED KINGDOM** opened a consulate in **YEKATERINBURG** in September. Ian Worthington, the former head of the local trade representation, will continue on as consul. (*Vechernii Yekaterinburg*, 23 September)

ECONOMIC ISSUES

BANKING CRISIS IN TVER: WHO WILL COVER THE DEBTS?

by Boris Goubman, Professor, Tver State University

TVER - The story of Progressprombank is similar to that of many commercial banks in Russia. Several years ago it was among the prosperous banking institutions in Tver, offering a high interest rate for its private clients. Now it is nearly bankrupt. It owes its clients 152 billion rubles (\$26 million). The unfortunate customers, mostly aged pensioners with low incomes, are now angrily demanding their money back, blaming the bank administration for its failure and the oblast authorities for their lack of interest in resolving the problems.

Ironically, the bank is owed a considerable sum by the Kalinin Nuclear Power Station which is a respectable and profitable enterprise supplying energy to many areas of Russia. It

owes Progressprombank 700 billion rubles (\$120 million), but is unable to pay because it, in turn, is owed money by the large enterprises which use its energy. Kalinin Nuclear Power Station deals with its customers indirectly. It has a contract with a middleman, Tverenergo, which is responsible for obtaining payments from the consumers. This intermediary company owes Kalinin Nuclear Power Station 360 billion rubles (\$61 million). For its part, Tverenergo complains that it is owed money by two municipal companies - Gorteploenergo and Gorelektrosety respectively responsible for central heating energy supplies and electricity in the city of Tver. Their debt to Tverenergo is 500 billion rubles (\$85 million).

In order to break this vicious circle, the Tver Oblast administration convened a meeting and came to the conclusion that Tverenergo should return the savings of the clients of Progressprombank. However, nobody is sure that Tverenergo will be able to pay back Progressprombank clients: it is supposed to pay 10 billion rubles (\$1.7 million) each month, whereas its own declared monthly income equals just 15 billion rubles (\$2.6 million). However, the declared income may not describe what is really going on. Tverenergo is currently buying from Unified Energy System and Kalinin Nuclear Station 70% (according to some sources, 80%) of the energy consumed in the region. The cost of the energy should be 45-50 billion rubles (\$7.5 million - \$8.5 million), but Kalinin Nuclear Station gets only 1 billion. Tverenergo is clearly making a windfall profit at the Kalinin Nuclear Station's expense, and the regional authorities hoped to use some of that money in paying back the bank's depositors.

The president of Progressprombank, Vladimir Shkolnikov, is not totally satisfied with the regional authorities' decision. He is suspicious of Tverenergo's ability and willingness to pay off the bank clients. He noted that "We gave the money not to Tverenergo, but to the Kalinin Nuclear Power Station knowing that its monthly energy production is worth 200 billion rubles." The bank president is clearly more willing to deal with the potentially rich producer than with the generally unreliable dealer.

The whole story is very typical for post-perestroika Russia. Many dealers, such as Tverenergo, are not strictly observing the laws, and they are not punished for their transgressions. Laws are not enforced in other situations as well. If a company is not fulfilling its obligations to its clients and partners, it should be declared bankrupt, but in many cases personal relations within the old and the new nomenclatura prevent such an outcome. This lack of enforcement means that the regional authorities should play a more constructive role in cutting through the Gordian knot of indebtedness and nonpayments. First of all, they should support potentially profitable enterprises suffering from the financial and legal chaos. The federal government must also look for more effective measures to deal with the problem.

WHO STOLE \$1 BILLION FROM TATARSTAN'S KAMAZ?

by Mikhail Farukshin, Kazan State University

KAZAN - Tatarstan's weekly newspaper *Kazanskoe Vremya* reported on 30 September that special teams of the republic's local police forces, security agencies, and the Ministry of the Interior are trying to figure out who has pocketed the astronomical debts of KamAZ. Was it the omnipotent mafia? Was it the former long-time president of KamAZ, Nikolai Bekh,

currently advisor on industrial affairs to Moscow Mayor Yurii Luzhkov? The authorities have neither confirmed nor denied reports that about 40 criminal charges have been filed against certain executives, including Bekh and his closest associates.

KamAZ is one of Tatarstan's largest enterprises, and one of Russia's most significant truck manufacturers. Its debts are officially valued at around 6 trillion rubles (\$1 billion). Over time KamAZ has declined from a highly productive enterprise into a loss-making liability. During recent years, the newspaper reports, KamAZ has lost all of its dealerships in Russia and the CIS.

A large network of shady intermediary agents has grown around the truck maker, exploiting its payment arrears to energy producers, gas-suppliers and through other methods. One source told the newspaper that "Basically, only truck production itself was left to Naberezhnie Chelny (where KamAZ is located), while all the firm's financial operations were transferred to Moscow, where the company's 'shadow cabinet' was located. This cabinet was comprised of Americans from the Kimko joint venture as well as Bekh and his people." According to Ravilii Muratov, the new Chairman of the KamAZ Board of Directors and also Tatarstan's first deputy prime minister, somebody outside the factory took control of the finances. Of course, evidence so far points to the plant's former leadership in abetting this outflow of financial control, but it is still not certain to whom exactly. "We used to produce 120,000 trucks a year," Muratov noted, and then asked: "Where are these trillions?"

REAL ESTATE MARKET BOOMING IN ST. PETERSBURG

by Valerii Ianovski

ST. PETERSBURG - St. Petersburg's real estate market has been experiencing a period of high activity recently. After Yeltsin's victory in last year's presidential election, confidence grew that Russia would pursue an evolutionary, not revolutionary, course. As a result, St. Petersburg's previously volatile real estate market has stabilized dramatically.

During the last year commercial real estate rates have climbed 25%, and the number of offers has increased by 50%. The increase in supply was accompanied by a corresponding jump in demand, especially in the central parts of the city, where demand exceeds supply by three to five times. Retail traders are in the majority of those who show interest in renting or buying commercial real estate; they account for 60-70% of all real estate deals. In monetary terms, the volume of such deals amounts to 50-60% of this particular segment of the real estate market.

Medium-size retail spaces located in the city's center, near busy streets and close to subway stations enjoy highest demand. Large pieces of real estate, even favorably located, see much less demand. Prices for well-located commercial real estate have already surpassed prices for residential real estate and average around \$1,200 per square meter. Such price increases occurred because large Moscow retail firms have entered the market. Today, Moscow firms account for 40% of the market. Noticeable is also foreign investment activity. This new capital inflow and the subsequent increase in rents and real estate prices for the St. Petersburg's central districts is forcing small local retail firms out of the center and toward the city's fringes.

Anticipated in the near future is a rent hike for municipal property, which will completely push small firms out of the city's center.

Supply and demand in the market for office space seem to be in equilibrium. However, nearly 80% of offices in the city are really converted residential apartments. This situation is explained by the procedural difficulties of transforming a residential space into office space, but it is also due to the high taxes imposed on office space. In the market for production facilities no noticeable change in demand has been detected. Large factories owned by former state enterprises do not attract investors due to their excessively large overhead costs and their poor adaptability to new production processes. Only small- or medium-sized production facilities located in the parts of St. Petersburg with developed infrastructure are in demand: they are usually used as assembly sites or as food production facilities.

St. Petersburg's favorable investment climate leads to a generally positive development of all segments of the city's commercial real estate market. In the near future one can expect a significant inflow of foreign capital to the city, especially to its central districts: Russia's traditional "window to Europe," St. Petersburg is an important transportation hub and offers lower prices than Moscow.

FOREIGN TIES

GERMAN INVESTORS CONCERNED ABOUT CRIME. Prime Minister of the Mecklenburg-Vorpommern *lander* Berndt Seite visited St. Petersburg and met with the Governor Vladimir Yakovlev. Seite proposed establishing a regular shipping lane between St. Petersburg and the German port of Rostock. However, the prime minister emphasized his concern about crime in Russia. Despite the obvious economic advantages of establishing a direct shipping lane between the two cities, Mr. Seite expressed concern about creating a new way for Russian criminals to penetrate Germany. "If we encounter a flood of organized crime, we cannot talk of any kind of economic cooperation," Mr. Seite said. His government will send law-enforcement officials to St. Petersburg in the near future to discuss potential criminal ramifications of economic cooperation with the city's administration. - Valeri Ianovski in St. Petersburg

SWISS DO NOT BUY TEXTILE GIANT. The auction of "Sibtekstilmash", a Novosibirsk textile company declared bankrupt last year, planned for 30 September never took place because no bids were offered by the advertised deadline. For a while it was thought that Sulzer Ruit, a Swiss concern, would be a major bidder in the planned auction. In 1994 representatives of Sulzer Ruit visited "Sibtekstilmash" and expressed interest in forming a joint venture (with the Swiss holding the controlling stake), planned to be launched in early 1995. However, because the city's government resented Swiss control and because Sulzer's contribution was called into question, the company decided to give up the controlling stake in the joint venture. However, at the time, observers predicted that the Swiss had not really given up and were planning to buy up the whole "Sibtekstilmash" at the planned auction. No bidders came forward, however, to claim stake in the firm. The local branch of the regional bankruptcy agency explained this fact by saying that the Swiss were not interested in the whole of "Sibtekstilmash," but only in its

machine-building section. That section, however, was transferred last year to another company, "Sebtekmash," whose own fate is not sealed either, as 52% of its base capital has not been paid for yet. - Konstantin Kanterov in Novosibirsk

ITALIAN SHOES TO BE MADE IN DAGESTAN. The republican government approved a proposal by the Italian firm "Simon" and the joint stock company "Maksi" to organize a shoe factory in Dagestan. There already is one joint venture with "Simon" on the territory of the Steklovolokna plant in Makhachkala. The new factory will open up in Yuzhno-Sukhokumsk, and its capital base will amount to \$1.76 million. This week, the federal State Property Committee was supposed to prepare all the necessary paperwork. - *Novoe Delo* in Makhachkala

CORRECTION: The Sverdlovsk Eurobonds issue will be "as much as \$500 million," with the first release of \$100-150 million planned to go on sale in November, according to Inkombank and Sverdlovsk Oblast officials. They are now waiting for a decree from the President (to date the president has only given permission to Moscow, St. Petersburg, and Nizhnii Novgorod to issue such bonds) and permission from the Central Bank. - John Varoli in Moscow

REGIONAL PROFILE: LIPETSK OBLAST

Governor: Mikhail Narolin

Mikhail Narolin was elected governor in April 1993. In addition to other candidates, he defeated two former oblast administration heads, Gennadii Kuptsov and Vladimir Zaitsev, whom he had served as first deputy. Some of Narolin's rivals claimed that the election results had been forged. The court, indeed, found that slightly over 6,000 votes out of over 260,000 received by Narolin had been mistakenly given to him, though this did not affect the outcome.

Narolin's path to power was rather typical for a regional leader. After graduating from the Voronezh Agricultural Institute in 1957, he worked as an engineer for eight years. Eventually, he was promoted to the position of deputy director of the oblast's agricultural department and, ten years later, became the head of the department. In 1980, he was appointed deputy and then first deputy to the oblast executive committee chairman, a position he retained for about thirteen years, including two and a half years between November 1991 and April 1993.

In December 1993, Narolin was also elected to the Federation Council and became a member of the agrarian committee. In April 1995, he joined the organizing committee of Our Home Is Russia (NDR) movement, headed by Prime Minister Viktor Chernomyrdin, and has remained in the leadership of the movement since then. In April 1997 he was again elected to the NDR Political Council.

Other Local Leaders

Chairman of the Deputies' Assembly -- Oleg Korolev, elected in March 1994

Brief Overview

Archeological research has determined that the territory now belonging to Lipetsk Oblast used to be the eastern boundary of Kievan Rus. In the beginning of the 18th century, Peter the Great ordered the construction of state-owned metal works to produce cannons, cannon balls and other weapons for the newly created Russian fleet there when he found out about the large deposits of ferrous ores in the region. Modern Lipetsk Oblast, located 400 km southeast of Moscow in a basin of the upper Don river, was established in 1954. It was created from parts of Voronezh, Tambov, Orel, Ryazan and Tula oblasts.

The oblast is highly industrialized. It provides over 15% of the country's refrigerating equipment, 14% of its cast iron, 13% of its tractors and 10% of steel smelting. Ferrous metallurgy is the oblast's major industry: its proportion of the regional GDP exceeds 60%, followed by machine building, metal processing, and the food industry (12% each). The oblast's largest enterprise, Novolipetsk Metallurgical Works, is one of the most modern and technologically advanced enterprises in Russia, with exports to over 40 foreign countries. Lately it has become the object of a bitter shareholders' dispute.

Basic Facts

1995 Population (est.): 1,250,000 (0.84% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 1.79%

Agricultural production as percentage of all Russian production (1994): 1.04%

Average personal income index in July 1995: 67 (Russia as a whole = 100)

Price basket index in July 1995: 83 (Russia = 100)

Average back wages owed per person (September 1995): 52,700 rubles (Russian average = 37,100)

Urban population: 63.3% (Russia overall: 73.0%)

Student population (1993): 97 per 10,000 (Russia overall: 171/10,000);

Pensioner population (1994): 27.86%

Percent of population with higher education (1989 census): 8.4% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 31.6% (Russian average: 29.9%);

Agriculture: 18.2% (12.8%); Trade: 9.3% (9.1%); Culture: 9.1% (13.6%); Management: 2.1% (2.3%)

Number of telephones per 100 families (1993): in cities : 38.8 (Russian average: 41.5); in villages: 16.8 (17.2)

According to a 1995 survey by Bank Austria, the oblast is ranked 22nd among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Zyuganov: 46.37%/56.30% (first round/second round)

Yeltsin: 25.08%/38.62%

Lebed: 13.16%
Yavlinskii: 5.56%
Zhirinovskiy: 5.32%
Turnout: 70.85%/70.89% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 28.96%
Liberal Democratic Party of Russia: 11.89%
Derzhava: 10.06%
Our Home Is Russia: 7.89%
Communists -- Workers' Russia: 4.83%
Agrarian Party of Russia: 4.44%
Yabloko: 3.34%
Congress of Russian Communities: 3.14%
In single-member districts: 2 Communist Party of the Russian Federation
Turnout: 64.96% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 41.31% "No" -- 58.69%

1993 Parliamentary Elections

Liberal Democratic Party of Russia: 31.70%
Communist Party of the Russian Federation: 14.27%
Russia's Choice: 12.93%
Agrarian Party of Russia: 12.24%
Women of Russia: 6.84%
Yabloko: 5.89%
Democratic Party of Russia: 5.09%
Party of Russian Unity and Concord: 4.69%
In single-mandate districts: 2 independent
Turnout: 59.95% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 61.94%
Ryzhkov: 16.03%
Zhirinovskiy: 6.95%
Tuleev: 4.47%
Makashov: 3.38%
Bakatin: 2.84%
Turnout: 80.67% (Russia overall: 76.66%)

Sources: Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections], Moscow: Yuridicheskaya Literatura, 1995; Itogi vyborov 17 dekabrya 1995 goda

po regionam [Results of the 17 December 1995 elections, regional breakdown], Moscow: Panorama, 1996; Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995], Moscow: Central Electoral Commission, 1996; Gubernatory Rossii [Governors of Russia], Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: Regional Risk Rating in Russia, Vienna: Bank Austria, 1995.

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TABLE OF CONTENTS

Breaking News

A Survey of Key Events in Russia's Regions

Governor's Roundtable

Khanty Mansi Governor on Relations with Tyumen, Kremlin, Oil Firms

Patterns of Regional Development

Is Nizhnii Novgorod a Model for Reform?

Regions Take Different Approaches on Land

Center-Periphery Relations

Tatarstan Resists New Russian Passports

Federal Property Ministry to Strengthen Regional Representatives

Business Briefs

A Weekly Summary of Key Deals in the Regions

Economic Issues

Production Decline in Tatarstan

Yekaterinburg Telecom To Be Privatized

Tomsk Oil Giant To Be Privatized

Information Released About Diamonds in Arkhangelsk

Tver Railroad Car Factory Seeks Salvation

Social Issues

St. Petersburg Strike To Mark October Revolution Anniversary

Regional Links

Number of Russian Media on Internet Grows

Regional Profile: Khanty-Mansi Autonomous Okrug

BREAKING NEWS

13 October

-- **FOREIGN INVESTMENT.** A meeting of the Consultative Committee on Foreign Investment chaired by Prime Minister Viktor Chernomyrdin noted that total foreign investment in Russia during the first half of the year was \$6.7 billion and 6.2 trillion rubles. Direct investment was \$2.2 billion. Moscow has attracted 57% of the accumulated investment and the rest was captured by approximately 10-12 regions. More than 50 governors participated in the session and for the first time the group gave considerable attention to foreign investment in the regions. Several governors, such as **TYUMEN OBLAST'S** Leonid Roketskii, complained about the difficulty of working with the Kremlin in attracting investors. **NOVGOROD** Governor Mikhail Prusak said it would be easier if the federal government didn't get involved at all. Representatives of the EBRD, however, said it was better to have support on all levels of government. Recognizing investor complaints about high taxes, difficulties with customs, and high infrastructure costs, Chernomyrdin applauded **SAMARA, SARATOV, NOVGOROD,** and **PSKOV** oblasts for offering investors strong investment incentives. (*Finansovye izvestiya*, 16 October; *Nezavisimaya gazeta*, 16 October)

15 October

-- **BORDER ISSUES. KHABAROVSK** Governor Viktor Ishaev is opposed to the government's plans to introduce a fee on travelers crossing the Russian border, claiming that it would unconstitutionally limit people's freedom of movement by making it dependent on their personal wealth. The government is expected to make a decision on the issue by 1 November based on the new border law that has already been approved by the federal parliament and the president. Ishaev is afraid that the duties will make the krai's exports uncompetitive. The Constitutional Court is currently considering the validity of the law. (*Kommersant-Daily*, 16 October)

16 October

-- **RELATIONS BETWEEN REGIONAL AND LOCAL GOVERNMENTS.** The Constitutional Court ruled that Russia's 89 regions have the right to remove democratically elected local officials who have been found guilty of violating federal or regional laws (*Rossiiskaya gazeta*, 23 October). Regional parliaments have the right to remove such officials only after the courts have determined that they broke the law. **ULAN-UDE** Mayor Valerii Shapovalov is currently jailed and facing accusations on three counts although he is formally still mayor. He has appealed the **BURYATIYA** Supreme Court ruling against him to the Russian Supreme Court. **LENINSKII KUZNETSK** Mayor Gennadii Konyakhin, currently imprisoned in Moscow, also will retain his title until he is found guilty of a crime. He was the subject of an expose in *Izvestiya* (See *IEWS Russian Regional Report*, 25 September) (*Kommersant-Daily*, 17 and 18 October; *Segodnya*, 17 October)

-- **ETHNIC CONFLICT.** Human rights advocate Sergei Kovolev denounced **STAVROPOL KRAI** Governor Nikolai Kondratenko's poor treatment of the Meshketian Turks in his region. He described the situation as "long festering and often ignored," charging that Kondratenko was conducting policies that favored Russians and Cossacks. (*Kommersant-Daily*, 17 October)

-- **NORTHERN POLICIES.** The government met to discuss its policy for the north. In the last five years, the amount of food and petroleum products delivered to the north has dropped to a half or third of its previous level. Nevertheless, the northern territories provide 20% of the country's GDP and half of its exports. Moreover, they account for 50-60% of the state's hard-currency earnings. According to Vladimir Kuramin, Chairman of the State Committee on the North, the area can be considered a donor region since it gives the federal budget twice as much as it takes. The north wants the federal government to subsidize its major enterprises, allow the region to keep more revenue from the exploitation of local natural resources, reduce some import duties, and provide better tax benefits. (*Izvestiya*, 17 October; *Finansovye izvestiya*, 21 October)

-- **MORE REGIONAL EURO BONDS.** Yeltsin signed a decree giving **KRANNOYARSK KRAI, SVERDLOVSK OBLAST, and MOSCOW OBLAST** the right to issue Eurobonds (*Rossiiskaya gazeta*, 21 October). *Kommersant-Daily* on 22 October commented that Yeltsin issued the decree now to show that he holds key powers over the initiatives of the regions. Until now only **MOSCOW, ST. PETERSBURG, and NIZHNI NOVGOROD** had the right to issue the bonds. The regions next in line are thought to be **OREL, TATARSTAN, BASHKORTOSTAN, and YAMALO-NENETS**.

19 October

-- **KEMEROVO GUBERNATORIAL ELECTIONS.** Kemerovo Oblast Governor Aman Tuleev won the gubernatorial election with 94.56% of the vote. Turnout was 55%. His victory was among the most impressive of all gubernatorial elections. On the 16th, Minister of Internal Affairs Anatolii Kulikov replaced the head of the ministry's regional branch in accordance with Tuleev's wishes. Another power struggle still exists as Tuleev has begun confiscating weapons from bodyguards of Mayor Konyakhin's cronies. (*Kommersant Daily*, 17, 18, 19 October; *Segodnya*, 21 October) Moreover, on 15 October somewhere between 500 and 2,000 demonstrators came out in support of Konyakhin. (*Nezavisimaya gazeta*, 16 October)

-- **NOVGOROD LEGISLATIVE ELECTIONS.** In the Novgorod Oblast Duma elections, members of Vladimir Zhirinovskiy's Liberal Democratic Party of Russia, the Communist Party of the Russian Federation, Yabloko, and Aleksandr Lebed's Honor and Motherland did not win any of the 26 seats. Eleven of the winners are heads of raion administrations. The other winners were mainly enterprise directors. Turnout was 34.9%. (*Segodnya*, 21 October)

20 October

-- **KAMAZ CORRUPTION.** KamAZ Financial Accounting Director Yurii Avdeev was arrested for forgery and abusing his position. Since July, the **TATARSTAN** truckmakers's new leadership has sponsored an investigation into the firm's finances. (*Kommersant-Daily*, 21 October)

-- **RING ROAD IN ST. PETERSBURG..** St. Petersburg authorities decided to begin building a ring-road around the city in 1998. The project will cost 3.7 trillion rubles. (*Kommersant-Daily*, 21 October)

21 October

-- **KALININGRAD DEVELOPMENT PROGRAM** *Rossiiskaya gazeta* published the Federal Program for Developing the Special Economic Zone in Kaliningrad Oblast for 1998-2005. The program addresses such important issues as the region's energy supplies, food stocks, telecommunications, and rehabilitating veterans. The program stresses the importance of the region as Russia's only warm water port on the Baltic Sea, its proximity to the rest of Europe, and its amber and other natural resources. The region is militarily important because it is the home of the Baltic Fleet, an army unit, and will border on NATO when Poland is admitted as a member. Its ports will become more active once Lithuania and Russia sign a border delimitation agreement this month (*Nezavisimaya gazeta*, 22 October)

22 October

-- **CHECHEN PRESIDENT SEEKS MORE POWER.** Chechen President Aslan Maskhadov asked the Chechen parliament to give him extraordinary power for a period of two years. He wants the right to issue any decree "as long as it does not violate Chechnya's independence." Additionally, he is seeking the right to suspend existing laws, change the structure of the cabinet, appoint and fire officials, and introduce a special economic regime. (*Izvestiya*, 23 October)

-- **ROSSEL PROTESTS EU SANCTIONS. SVERDLOVSK** Governor Eduard Rossel appealed to President Yeltsin and the government to protest the European Union's decision to impose a tariff of 32.9% on pipes produced in Russia as punishment for what it considers as Russia's dumping of pipes on the European market. Factories in the Sverdlovsk Oblast cities of Sinarskii, Seversk, and Pervouralsk produce the pipes and the sanctions have left many workers there unemployed. (*Rossiiskaya gazeta*, 22 October)

GOVERNOR'S ROUNDTABLE

KHANTY MANSI GOVERNOR ON RELATIONS WITH TYUMEN, KREMLIN; CONSEQUENCES OF RECENT ELECTIONS; AND OIL COMPANIES

NEW YORK - On 21 October Khanty Mansi Governor Aleksandr Filipenko visited the Institute for EastWest Studies' offices in New York for a roundtable discussion with the Russian Regional Report's editors. Petr Korolenko, a representative of President Boris Yeltsin's administration, and Olga Kryshstanovskaya, Director of Moscow's Institute of Applied Politics, who were traveling with the governor, participated in the discussion. Today we present an abbreviated transcript of the conversation.

One of the main issues addressed was the status of the dispute between the Khanty Mansi (KMAO) and Yamalo-Nenets (YNAO) autonomous okrugs, on one hand, and Tyumen

Oblast, on the other. The okrugs have sought independence from the oblast, while oblast leaders have sought to keep them subordinate. The Russian constitution has contradictory provisions. Article 5 says that oblasts and autonomous okrugs have equal rights. Article 66 states that the okrugs are part of the oblast. In July the Constitutional Court ducked the issue by ruling that both clauses remain in force (See *IEWS Russian Regional Report*, 17 July). The participants in the round table expressed very different points of view on this delicate issue.

Petr Korolko, representative of the presidential administration: Our meetings [with potential investors] yesterday showed that our American partners are interested in the relationship between the center and the regions. It is now possible to say that the problems of the childhood of Russian federalism are practically over. The existing legislation allows us to speak of a unified legal environment across Russia's entire territory. A prime example of this is the signing of power-sharing agreements not only between the regions and the Russian Federation, but the use of such agreements to resolve the conflict between KMAO and YNAO and Tyumen Oblast.

The adoption of a new constitution in Russia changed the status of the autonomous okrugs. The constitution says that all 89 regions are equal; on the other hand, the constitution says that autonomous okrugs can also be parts of kraises or oblasts. Until recently this contradiction did not allow the two sides to come to a united position or conduct a unified, centralized policy on the formation of state institutions in the regions. The Russian Constitutional Court examined this problem. The court's decision in July this year unambiguously reaffirmed article 66, one of the key sections of the constitution which states that okrugs are constituent parts of kraises and oblasts. On the basis of this ruling on 14 December this year, following the agreement of the two okrugs and the oblast, there will be elections for the Tyumen Oblast Duma on all parts of its territory. This example proves that the legal process of building a federal state in Russia is proceeding in a relatively civilized way above all on the basis of negotiated agreements between the component parts of the federation.

Aleksandr Filipenko, Governor of the Khanty Mansi Autonomous Okrug: All the component parts of the Russian Federation have equal rights. We resolve our problems through negotiations. There is a council of governors [which brings together the leaders of Tyumen and the two okrugs]. There is also a reconciliation commission for the legislatures. However, I consider that the main criterion of our success is that in both the autonomous okrugs and in Tyumen proper, people live significantly better than in many other regions of Russia. The population of the okrug is increasing every year. Even pensioners are coming to live in the north because they receive their pensions reliably in our region. If you read specific newspapers, you may find different opinions on the question of relations with Tyumen, but, as the saying goes, each person has to make his own bread.

Russian Regional Report (RRR): Will your okrug participate in the December elections?

Filipenko: Yes, we have signed an agreement about the conduct of the elections for the Tyumen Oblast legislature.

RRR: Are you satisfied with the decision of the Constitutional Court?

Filipenko: This question is beyond discussion. We don't argue with the Constitutional Court. The Court can only adopt correct decisions.

Olga Kryshstanovskaya, Institute of Applied Politics-Moscow: It seems to me that there is a contradiction within the Russian constitution: there are components of the federation that simultaneously are parts of each other and have equal rights. This is logically impossible. Question: did the people who wrote the constitution know about this? The federal authorities planned this contradiction with the intention of creating a conflict specifically for these two autonomous okrugs, even though there are 10 such okrugs in the country. These internal conflicts do not present a threat to the power of the state. I am not speaking of the personal policies of Filipenko or Yamalo-Nenets Governor Yuri Neelov, but of the objective situation. Everywhere where there is such a complicated federal structure [with okrugs nested inside oblasts or krais], the resulting regions are much weaker than they would be if the region were a unified whole. The policy of the center is to make sure that the economically strong regions are not able to develop corresponding political power. The goal is to sap the strength of these regions on internal conflicts and reduce their political voice.

Filipenko: The reality is completely different. The contradiction arose as the result of a compromise. By their nature, compromises are unclear and imprecise. Compromises do not satisfy you or us, they are always something between the positions of the two sides.

Korolko: The first drafts of the constitution included articles about the inequality of the federation members. These articles resolved the contradictions we are discussing, but created a host of other problems. To minimize this process of confrontation, it was decided to adopt an article recognizing the equality of all federation members. The contradictions currently in the constitution are significantly fewer than earlier drafts, which explicitly gave the republics greater rights than the other parts of the federation.

Kryshstanovskaya: I don't agree. This inequality existed even earlier, in the Soviet era. Preserving the existing inequality [at the time the constitution was written] would have been less difficult than creating new confrontations. Everyone was used to the republics' greater privileges.

RRR: The relationship between the okrugs and the oblast is important in dividing up the tax revenue from the recovery of oil and gas. What percentage of the tax income goes to your okrug, how much to Tyumen Oblast, and how much to the federal government?

Filipenko: The only tax that enterprises working in the okrug have to pay is the tax on resources: 60% of the tax revenue goes to the okrug and 40% should go to Moscow. But in our case, we get 60%, 20% goes to Moscow, 20% goes to Tyumen Oblast.

RRR: Last year you won a popular mandate with 70% of the vote. How does that change your position from the previous situation when you were appointed by the president?

Filipenko: In a formal sense, I have more power. But the elections have not changed my relationship with the federal authorities. However, it is true that after the elections the people hold me in higher regard.

Korolko: In general, the promises politicians made during their campaigns have become strong arguments for carrying out one or another policy, especially in the social sphere.

RRR: Please tell us about your relationship with the leaders of the major Russian oil companies working on your territory. If a Western investor wants to work in your okrug, with whom should he speak? With you?

Filipenko: It depends on what the investor wants to do. If he will be working with a Russian oil company, then he must talk directly with the company's leadership. If he wants to work here independently, then he must participate in competitions or auctions for rights to develop an oil field. If he wants to work in the social sphere, then he should consult the political authorities.

RRR: Yamalo-Nenets Governor Neelov said yesterday that he is on the board of directors of Gazprom and you sit on the boards of the major oil companies in your region. This "merger" (*sliyanie*) of business and politics...

Filipenko: This is not a merger of business and politics. When the okrug's large enterprises were privatized, many enterprises gained a significant influence on the life of the region... I am a member of the board of directors of Surgutneftegaz. What does this company represent for the okrug? It provides 27% of the okrug's overall budget. My position on the board is necessary to ensure coordination with the okrug. I represent the state on the company's board of directors. But I was elected by the shareholders.

PATTERNS OF REGIONAL DEVELOPMENT

IS NIZHNI NOVGOROD A MODEL FOR REFORM? Western observers are divided over the extent to which Governor Boris Nemtsov was able to achieve any positive results from his energetic efforts to introduce market reforms in his native oblast. The World Bank and US AID are still upbeat about the pilot projects that were introduced there, from farm privatization to housing reform. However, a recent report by journalist Matthew Fisher presents a rather different picture (*Toronto Sun*, October 17) He wrote that a group of local economists "all replied to my question about Nizhnii Novgorod's sunny reputation with looks of wide-eyed disbelief followed by laughter." Local research director Sergei Borisov said that Nemtsov can be credited with creating a feeling of "market optimism" among the people - no mean feat given the city's heavy dependence on defense plants with scant hopes of surviving the market transition. - Peter Rutland

REGIONS TAKE DIFFERENT APPROACHES ON LAND. According to a poll by the Public Opinion Foundation, 52% of Russia's population believes that there should be limits on the buying and selling of land, a position shared by a majority in the State Duma, *Segodnya* reported 17 October. Only 27% support Yeltsin's opinion that Russians should have the right to freely buy and sell land. Different regions have taken different approaches on the question.

At Governor Dmitrii Ayatskov's insistence, the Saratov Oblast Duma has preliminarily approved a bill supporting the buying and selling of land, *Izvestiya* reported 22 October. Ayatskov argued that the privatization of land could strengthen the country's agricultural sector and radically change the life of the peasants (see *Rossiiskaya gazeta*, 22 October).

At the same time Moscow Mayor Yurii Luzhkov used his veto power for only the third time in four years to reject a law passed by the city duma that would allow investors to buy the land under major development projects. The mayor complained that the law created unequal conditions for citizens seeking to realize their constitutional rights to own land, *Segodnya* reported on 17 October. The mayor wants to settle his dispute with the federal government over control of federally owned land in the city before adopting legislation on land rights, according to the *Moscow Times* on 22 October. The federal government owns up to one third of the land in the capital and has recently said that it will reduce the amount it pays to use this real estate. The city duma, which faces elections in December, does not plan to fight the popular mayor. - Robert Orttung

CENTER-PERIPHERY RELATIONS

TATARSTAN RESISTS NEW RUSSIAN PASSPORTS

by Midkhat Faroukshine, Kazan State University

KAZAN - All of Tatarstan's leading newspapers reported the wide-spread negative reaction against the introduction of new Russian passports in the republic. Tatar nationalists burned copies of the new Russian passport and imperial Russia's two-headed eagle symbol during a rally in Kazan. Participants in the rally demanded that citizens "refuse to accept passports with the two-headed eagle on the cover, resist attempts to force Tatarstan's constitution into compliance with the Russian constitution, and make it clear to Moscow that its policy is alien to the people of Tatarstan."

Tatarstan's Council of Elders petitioned the republic's President, the Chairman of the State Council (parliament) and members of the parliament, expressing its concern about the "immoral and politically narrow-minded" actions of the Russian authorities. The elders described the new passport as a signal of Moscow's intent to return to its imperialist past.

The State Council also discussed the passport question. Parliamentarians spoke of the new policy as "depriving all ethnic groups of their individual identity," and proposed holding a popular referendum, discussing the problem with fellow parliamentarians from other ethnic republics, and appealing for support in the Federation Council. The State Council adopted a

resolution blocking agencies from issuing new passports in Tatarstan until the parliament makes a final decision.

There are several reasons for Tatarstan's hostile reaction to the new passports. First of all, the new passport will not have the so-called "Fifth point," traditionally used in the Soviet passports to identify the passport-holder's ethnicity. Removal of the fifth point, it is believed, is aimed at undermining the national identity of Tatars as well as of all other non-Russian ethnic groups in the country. Second, the passport's text will be in Russian, with an insert in the titular language of the particular ethnic region. The insert is purely decorative, with no legal status, and can only be added if the passport-holder specifically requests it. Third, if all citizens are "depersonalized" Russians (*Rossiyanе*), then the existence of ethnic republics seems superfluous. Fourth, the two-headed Russian eagle symbolizes the subjugation of other nations and confessions (most notably the Tatars and the Muslims) by Russian Orthodoxy and the monarchy. Needless to say, the two-headed eagle itself has not been approved by the Russian parliament as the official state symbol.

Some leaders of other ethnic republics in Russia, such as Mari El, Chuvashia and Bashkortostan, are also unhappy about the introduction of the new passports, *Vremia i Dengi* reported 18 October.

FEDERAL PROPERTY MINISTRY TO STRENGTHEN REGIONAL

REPRESENTATIVES. At a meeting between federal and regional officials from the State Property Ministry on 15 October, the federal officials made clear their dissatisfaction with the distribution of proceeds from the privatization of federal property at the regional level. Regional privatizations have delivered only 354 billion rubles (\$60 million) to the state budget, while the federal authorities have collected almost 10 trillion rubles (\$1.7 billion). In some cases, the regions are keeping between 10 and 45 times more money from the selloffs than they are transferring to the Kremlin.

Currently the ministry depends on offices controlled by governors and mayors to conduct privatizations of federal property in the regions. To increase the revenue generated, the federal government is going to strengthen its institutional capacity in the regions. According to Federal Property Minister Maksim Boiko, in those regions where the authorities are working well with the federal government, the regional property commissions will gain the status of branches of the federal ministry and relations will be conducted on the basis of negotiated contracts. In regions that are "sabotaging" federal policy, the federal ministry will establish its own branches which will be independent of the regional authorities. In those areas, the regional property committees will only be allowed to sell property owned by the region. The federal government is keenly interested in the revenue generated from the selloffs to make up for the money it cannot collect in taxes. Currently the federal government is only collecting about half of the taxes it is owed. - Robert Ortung

BUSINESS BRIEFS

-- **ALMAZY ROSSII-SAKHA** and South Africa's **DE BEERS** signed an agreement under which De Beers will sell between \$500 million and \$1.2 billion worth of Russian diamonds a

year. The deal opens the way for a \$500 million loan from a group of banks led by **NATWEST MARKETS** to refurbish Sakha's mines. The agreement and loan had been held up since the end of last year. (*Financial Times*, 22 October)

-- **WARBURG DILLON READ** and **WEST MERCHANT BANK** are finalizing a deal to give **SAKHA - YAKUTIYA** a syndicated credit of more than \$50 million. The loan will partially be used to send food and fuel supplies to the northern part of the republic. On 6 October, **DEUTSCHE MORGAN GRENFELL** and **SAMYANG MERCHANT BANK** gave the republic a \$75 million credit. (*Kommersant-Daily*, 15 October; *Segodnya*, 18 October)

-- **MOSCOW** is planning to issue up to \$500 million worth of Eurobonds before the end of the year instead of seeking funds from domestic sources. (*Kommersant-Daily*, 16 October)

-- Prime Minister Viktor Chernomyrdin signed a deal on 15 October that will prevent the bankruptcy of **SAMARA'S AVTOVAZ** and allow the firm to pay back its debt to the federal, oblast and city governments over 10 years. As of 1 January 1997, the firm owes 2.8552 trillion rubles (\$500 million) to the federal government and 1.7937 trillion rubles (\$300 million) to the oblast and Togliatti governments. To cover the debts, it will pay between 100 and 150 billion rubles (\$20 million) a month. (*Rossiiskaya gazeta*, 21 October).

-- **TATARSTAN'S KAMAZ** decided to halt production between 15 and 22 October because it is cheaper to shut the plant down than keep it running. Designed to produce 130,000 trucks a year, the plant is now producing about 12,000 and the cost of making the vehicles is much higher than their selling price. Firms that were receiving the trucks in barter exchanges were selling them at very low prices to get cash, greatly complicating the company's marketing efforts. Reducing the level of output was helping to raise prices. The drop in production, however, led to higher expenses and now the plant is 300 billion rubles (\$50 million) short in cash to keep its production lines running. (*Ekspert*, 20 October)

-- **BRITISH PETROLEUM** is considering plans to build gas stations in **NIZHNI NOVGOROD**. The firm already has two stations in **MOSCOW**. The British Dutch corporation **SHELL** announced a plan to build a network of stations in **ST. PETERSBURG** last year and, with Italy's **ENI**, is considering expanding to Nizhnii Novgorod as well. (*Kommersant-Daily*, 18 October)

-- **TATNEFT** is issuing \$300 million worth of Eurobonds for project financing to increase oil production by 4 million tons to 30 million tons by the year 2003. (*Segodnya*, 16 October)

-- **ENISEITELEKOM** is planning to invest approximately \$70 million in NMT-450 and GSM cellular phone networks in **KRASNOYARSK KRAI** over the next ten years. Eniseitelemekom was founded in February 1996 by Krasnoyarsk Krai Elektrosvyaz, which own 51%, and RTDC, the Russian branch of **US WEST**, which owns 49%. (*Segodnya*, 16 October)

-- **GM** issued a recall, the first in Russian history, for the Chevrolet Blazers built in **TATARSTAN'S** Yelabuga plant. The recall was issued because of the questionable performance of ball joints in 250 kits sent to Russia from Brazil. (*Moscow Times*, 15 October)

-- **UDMURTIYA'S** Izhevsk Radio Factory began assembling telecommunications equipment for the US firm **MOTOROLA**. (*Finansovye izvestiya*, 23 October)

-- **NIZHNI NOVGOROD'S GORKII AUTOMOBILE FACTORY** will issue \$100 million worth of Eurobonds in December 1997 or January 1998. (*Segodnya*, 21 October)

-- The Republic of **TATARSTAN** and Malaysia's **MICROKOR** Trade Development have established the Ashlama joint venture with \$571 million in initial capital. The Malaysian side provided \$400 million, while Kazan offered the Novo-Mendeleev Chemical Fertilizer Factory. The first \$47 million is expected in December for a project to produce 1,800 tons of ammonia a day. Tatarstan has no ammonia production capability and transporting it from **SAMARA OLBAST** is not cost effective. The plant will provide enough for the republic's needs and as well as a small surplus for export. (*Segodnya*, 22 October)

-- The Russian Savings Bank has given **PERM OBLAST** a \$7 million credit to continue the construction of dairy plant that will produce children's food. The Finnish firm **TUOMA HALONEN** is the contractor for the deal. Construction began in July 1993 and has already cost about \$19 million. The builders still need an additional \$6.5 million to complete the project. (*Segodnya*, 22 October)

-- The US Securities and Exchange commission has authorized **TYUMENTELECOM** to issue American Depository Receipts (ADRs). The ADRs could provide up to 25% of the firm's 359 billion ruble capital. (*Segodnya*, 22 October)

ECONOMIC ISSUES

PRODUCTION DECLINE IN TATARSTAN

by Midkhat Faroukshine, Kazan State University

KAZAN - According to Tatarstan's program of social and economic development for 1997, the republic was expected to reap a 4.3% increase in production volume over the previous year. However, this prognosis turned out to be overly optimistic. With investment levels low, fewer than half of the republic's enterprises have shown signs of healthy growth in the last 9 months. Of the country's 8 major industrial sectors, only two (chemical and machine-building/metallurgical) have managed increases in production, growing between 6-15%. The rest consistently perform worse than they did a year ago. Electrical power production has fallen by 0.9%, while heating energy production has declined by 3.8%. Oil extraction is also on the

decline--by 1.4%, compared to the same 9 month period last year. In the timber, timber-processing and cellulose/paper producing sectors, production fell between 30% and 40%. Production in the consumer goods industry has similarly decreased by 30%-40%.

The military industrial complex (MIC) has lost its former significance in Tatarstan's economy. If in the past the MIC's share of industrial production amounted to 45-50%, today it is merely 4.2%. During the past 9 months, production at MIC enterprises decreased by 16% and only 80% of its products have been sold, leaving an excessive 300 billion rubles (\$52 million) inventory. The federal government failed to live up to the somewhat illusory expectations placed upon it. Last year, the Kremlin was supposed to grant Tatarstan 604 billion rubles (\$104 million) for conversion of defense enterprises into civilian production, but in reality the republic received only 0.1%. This year, Tatarstan has not received funding for conversion. The Russian government still owes Tatarstan's defense firms 115 billion rubles (\$20 million) for completed military contracts. To conclude, the optimism of the year's development program was quite unwarranted. (*Respublika Tatarstan* and *Vecherniaia Kazan*, 18 October)

YEKATERINBURG TELECOM TO BE PRIVATIZED

by Konstantin Kanterov, *Novaya Sibir*

NOVOSIBIRSK - Yekaterinburg's city phone network, the last municipal communications company still under state control, is due to go private. According to the Sverdlovsk Oblast Property Fund, a new joint stock company "Yekaterinburg Telephone Networks" will be created with a base capital of 261 billion rubles (\$45 million). Of its total stock, 38% of the "normal" (voting) shares will be held by the government, 7.7% of "normal" shares will be sold off to the employees at 140,266 rubles (\$24) a share, 5% will be sold to the management of the new entity at 200,380 rubles (\$35) a share, and 25% of "privileged" shares will be distributed free of charge to the employees. A closed sign up for stocks has already begun. The planned auction of 24.3% of the remaining "normal" shares has been cancelled, due to a recent change in federal legislation. The Sverdlovsk Oblast Property Fund has not yet announced how this package will be sold.

TOMSK OIL GIANT TO BE PRIVATIZED

by Konstantin Kanterov, *Novaya Sibir*

NOVOSIBIRSK - According to representatives of the Russian Federal Property Fund, the Ministry of State Property and the Eastern Oil Company (Tomsk) speaking at a Moscow press-conference, the Russian government plans to raise \$1.5 billion from the planned sale of 84% of the Eastern Oil Company's stock currently in federal possession. The forecasted revenue is comparable to the funds raised from the controversial sale of the 25% federal share in "Svyazinvest," which amounted to \$1.9 billion. However, in the case of Eastern Oil Company, bids are being accepted simultaneously for a planned investors' auction of 34% of

the company's stock, as well as for a monetary auction of 50% of shares minus one. The winner of the investors' auction will be obligated to pay the tax debts of Eastern Oil Company's subsidiary firms, and invest \$90 million in the company's development over of the next six months. The Federal Property Fund explained the timing of the two auctions by citing the specific investment conditions as well as the desire to raise budgetary revenue in this fiscal year. Anticipated bidders include: ONEXIMBANK-MFK, LUKoil, Gazprom, MENATEP and a group of firms owned by Deputy Security Council Secretary Boris Berezovskii. The Eastern Oil Company is comprised of oil and gas extracting companies, such as "Tomskneft" and "Tomskneftegazogeologia," the Achinsk oil refinery, and five oil sellers.

INFORMATION RELEASED ABOUT DIAMONDS IN ARKHANGELSK. Deputy Prime Minister Vladimir Bulgak and Severalmaz General Director Vitalii Fortygin announced that there are 8 metric tons of diamonds in the oblast, *Kommersant-Daily* reported. They are located in 7 locations within a radius of 9.5 km. An investment of \$740 million over 5-6 years is likely to produce 1 million carats a year (The republic of Sakha, Russia's main source of diamonds, produces 100 million carats a year or 25% of world production). The unmined diamonds have an estimated worth of \$12 billion and it is expected to take 57 years to mine them all. Severalmaz plans to reveal detailed information about the deposits to a group of select potential investors. South Africa's De Beers and Australia's Ashton Mining have expressed interest, the paper reported.

The diamond deposits were discovered in 1980 but were not developed or publicized because Sakha's diamond production met most of the state's needs. The partially state owned Severalmaz was set up in 1992 and has been conducting exploratory work since then, according to *Kommersant-Daily*. - Robert Orttung

TVER RAILROAD CAR FACTORY SEEKS SALVATION.

by Boris Goubman, Tver State University

TVER - The Tver Railroad Car factory has traditionally been among the leaders of the region's industry. However, the current debt crisis throughout the Russian economy has seriously damaged its productive ability. Most importantly, its lack of financial resources prevents it from buying equipment needed to create the next generation of railroad cars. To resolve the problem, the factory shareholders decided to sell 51% of the plant's stock to the Rosvagonmash holding company which usually buys most of the factory's output. The deal commits Rosvagonmash to ensuring the future growth of the factory.

However, 42.5 % of the stock belongs to the Roseltrance holding company which should have been liquidated in accordance with a decree issued by the Russian president. Nevertheless, the company continues to operate and maintains possession of the shares that should have been transferred to the state. In order to transfer control of the factory to Rosvagonmash legally, the Tver Railroad Car Factory stockholders agreed to issue additional shares.

Rosvagonmash has asked for concessions from the Tver regional authorities to make it easier to take control of the factory. First, the company wants the administration to guarantee a loan to renovate the factory and its equipment. Second, the Regional Legislative Assembly must annul the tax penalty imposed by the tax police. The plant owes 147 billion rubles in penalties.

Another problem is the plant's relationship with the federal government. General Director Victor Svetlo, said in a recent interview with the newspaper *Veche Tveri* on 16 October 1997 that the Federal Government committed 130 billion rubles to the enterprise for the last 2 years but only disbursed 50 billion rubles. The factory carried out design work at its own expense and accumulated a debt to the state of 250 billion rubles. The director general believes the debt may be reduced taking into account the federal government's obligations to the factory.

Additionally, the factory managers are now trying to obtain a reconstruction loan from an Austrian bank. They had been negotiating with German banks, but were not satisfied with the conditions proposed. If the Tver factory does not restructure, it may lose its leadership position to Moscow's Voitovich factory or another enterprise.

SOCIAL ISSUES

ST. PETERSBURG STRIKE TO MARK OCTOBER REVOLUTION ANNIVERSARY

by Valeri Ianovski

ST. PETERSBURG - On 22 October employees of the state enterprise Russkii diesel conducted a warning strike, rallying more than 500 workers. They marched to the main gates of Smolnii, where Governor Vladimir Yakovlev has his office, and formed picket lines in front of the municipal administration building. The strikers protested against chronic wage arrears (they have not been paid since February), the lack of social supports, and the management's inattention to the company's current crisis. Workers from Russkii diesel were soon joined at the picket lines by representatives from Severnii zavod and the Gidropribor research institute, whose conditions are equally dire. Many St. Petersburg residents still remember the August action by Russkii diesel workers, when they blocked traffic on the Vyborgskaya embankment. At that time, Governor Yakovlev helped Russkii diesel obtain a 2 billion rubles (\$345,000) credit, but that was only enough to pay salaries for one month. Also in August, Russkii diesel Director Evgenii Yashin promised to pay back wages through May by year's end.

Addressing the picket lines, Deputy Governor Dmitrii Sergeev announced that the conciliatory commission created after the "August events" had drafted a letter to Russian Economic Minister Yakov Urinson asking him to replace the management of Russkii diesel. Additionally, the city's administration is willing to guarantee another 2 billion ruble credit for partial repayment of the strikers' wage arrears. However, if the workers' demands are not met, Russkii diesel workers are threatening to go on a permanent strike beginning on 6 November, the eve of 1917 October Revolution anniversary.

REGIONAL LINKS

NUMBER OF RUSSIAN MEDIA ON INTERNET GROWS

by Alex Levinsky, *Bryanskoe vremya*

YEKATERINBURG -- The National Institute of the Press sponsored the fourth annual conference "New Media for A New World" in Yekaterinburg last week. The meeting brought together approximately eighty journalists from printed newspapers and magazines that have posted electronic versions on the Internet.

When the first conference was held in 1994 at the Ostankino TV studios in Moscow, one could count the number of electronic newspapers in Russia on the fingers of one hand. That conference astonished participants with ideas of communicating via the Internet, searching for sources of information electronically, and producing home pages. American colleagues seemed to be computer wizards who could "move" their Russian colleagues to distant sites just by clicking on a mouse.

This time, the American co-chairman of the conference, Executive Director of the Center for Civil Society International (Seattle, WA) Holt Ruffin stressed the amazing pace with which Russian printed media have developed their home pages on the Internet. There were about two hundred Russian Web newspapers and magazines from across the country on the list disseminated among the participants.

At the time of the first conference, the Web-version of the Ural's largest regional newspaper *Uralskii Rabochii* (<http://ur.etel.ru/>) didn't exist. Now the paper and the head of its computer department, Alexander Kenin, hosted the conference at the new Internet lab of the Urals university with support from USAID and the Soros Open Society Institute. *Uralskii Rabochii*, like many other Russian papers, developed its Web version on its own, investing in expensive equipment to fill the market niche before it becomes profitable and attracts more competitors.

For three days Russians and Americans discussed the fates of the printed and Web papers debating whether they are complementary or will compete against each other. Russian home pages still lack advertising and advice from American marketing experts was in great demand.

Each year the conference becomes more practical and this time journalists studied HTML -- the hypertext language used to produce home pages. Until now, this knowledge had been the privilege of computer technicians. From now on, however, the journalists will enjoy new opportunities. The Internet eliminates the divide between provincial and metropolitan colleagues and allows the two groups to combine forces to make investigative reporting richer and deeper.

The conference presented Award of Excellence to: *Molodost' Sibiri* (<http://www.sicnit.ru/ii/molsib/>) and *Novaya Sibir'* (<http://plato.sr.unh.edu/siberia/>) in Novosibirsk; *Kurer RAN i Vysshei Skoly* (Report of the Russian Academy of Sciences and Higher School) in Moscow, *Bryanskoe Vremya* (<http://www.btime.bryansk.ru/>) in Bryansk; the *Vladivostok News* (<http://vlad.tribnet.com/>), and others.

REGIONAL PROFILE: KHANTY-MANSI AUTONOMOUS OKRUG

Governor: Aleksandr Filipenko

Aleksandr Filipenko was elected governor in October 1996 with more than 70% of the vote. He faced no credible opposition in the campaign and had the support of both President Boris Yeltsin's administration and the Communist opposition. His platform stressed greater economic independence for the okrug and he is credited with being a strong lobbyist for the region.

Filipenko was born in Kazakhstan in 1950. He graduated from the Omsk Automobile and Roads Institute in 1973 and then worked as a civil engineer on bridges for five years. In his mid-twenties, he joined the staff of the Communist Party. From 1977 until 1982, he worked in the construction department of the Communist Party's Khanty-Mansi branch. Then for two years he served as a first deputy chairman of the okrug executive committee. In 1983 he became first secretary of the Berezovo (Tyumen Oblast) Communist Party committee and five years later became the second secretary of the okrug's party organization. In March 1990, Filipenko won seats in the Tyumen Oblast and Khanty-Mansi Okrug Soviets. Within two months, the okrug Soviet elected him chairman of the regional executive committee, a position he held until Yeltsin appointed him governor in December 1991.

With the support of Yegor Gaidar's Russia's Choice movement, Filipenko won a seat in the newly established Federation Council, the upper house of the Russian parliament, in December 1993. As governor, he continues to sit in the Federation Council, where he is a member of Mandate Commission and the Committee on Northern Affairs. In April 1997, he joined a presidential commission examining the relationship between the center and the regions.

Other Local Leaders

Chairman of the Okrug Duma -- Sergei Sobyenin, reelected for the second term in October 1996

Brief Overview

Khanty-Mansi Autonomous Okrug was established in December 1930 and is a part of Tyumen Oblast in Western Siberia. The 1993 Russian Constitution granted KhMAO, along with all other autonomous okrugs, rights equal to those of an oblast. This ambiguity has produced considerable conflict between Tyumen Oblast and KhMAO authorities. The major bone of contention is control over KhMAO's extremely rich mineral resources: ferrous ores, charcoal, gold, diamonds, semiprecious stones and, most importantly, oil and gas.

Khanty-Mansi accounts for 60% of Russia's oil extraction. It also processes natural gas and other forms of energy. Energy accounts for more than 90% of the okrug's overall output.

The okrug has a continental climate with long winters and short summers. Because of its flat landscape, plentiful precipitation, and frequent floods, almost half of the okrug's territory is covered with swamps. Woods, mostly pine-trees, fir-trees, silver-firs, and other conifers fill out

a third of the territory. More than 50 kinds of mammals, 200 kinds of birds, and 27 kinds of fish make up the okrug's diverse wildlife. Along with hunting, the okrug has well developed fur-breeding: over 20 fur farms produce valuable fur animals, such as red, black, and polar fox. The okrug's agriculture, concentrated in cattle and reindeer breeding and fisheries, satisfies only 10-15% of local needs. Food products are the region's major import, while oil, oil products, and timber make up the majority of its exports.

Basic Facts

1995 Population (est.): 1,326,200 (0.89% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 5.24%

Price basket index in July 1995: 113 (Russia = 100)

Average back wages owed per person (September 1995): 360,700 rubles (Russian average = 37,100)

Urban population: 91.5% (Russia overall: 73.0%)

Pensioner population (1994): 9.75%

Percent of population with higher education (1989 census): 10.3% (Russia overall: 11.3%)

According to a 1995 survey by Bank Austria, the okrug is ranked 60th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 52.53%/74.24% (first round/second round)

Zyuganov: 12.82%/20.20%

Lebed: 15.14%

Zhirinovskiy: 7.59%

Yavlinskii: 6.61%

Turnout: 62.41%/60.95% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Liberal Democratic Party of Russia: 15.28%

Our Home Is Russia: 14.08%

Party of Workers' Self-Government: 10.62%

Women of Russia: 8.78%

Communist Party of the Russian Federation: 7.96%

Yabloko: 5.68%

Congress of Russian Communities: 3.51%

Forward, Russia!: 3.04%

Communists -- Workers' Russia: 2.95%

Russia's Democratic Choice: 2.84%

Kedr: 2.68%

In single-member districts: 2 independent

Turnout: 54.67% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 79.82% "No" -- 20.18%

1993 Parliamentary Elections

Russia's Choice: 23.66%

Liberal Democratic Party of Russia: 21.25%

Women of Russia: 12.20%

Party of Russian Unity and Concord: 9.52%

Yabloko: 8.24%

Democratic Party of Russia: 6.37%

Communist Party of the Russian Federation: 4.63%

Agrarian Party of Russia: 1.04%

In single-mandate districts: 1 independent, 1 Russia's Choice

Turnout: 38.91% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 68.72%

Zhirinovsky: 9.67%

Ryzhkov: 8.12%

Tuleev: 3.81%

Bakatin: 3.76%

Makashov: 3.57%

Turnout: 64.54% (Russia overall: 76.66%)

Sources: Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections], Moscow: Yuridicheskaya Literatura, 1995; Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown], Moscow: Panorama, 1996; Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995], Moscow: Central Electoral Commission, 1996; Gubernatory Rossii [Governors of Russia], Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: Regional Risk Rating in Russia, Vienna: Bank Austria, 1995.

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TABLE OF CONTENTS

Breaking News

A Survey of Key Events in Russia's Regions

Patterns of Regional Development

Political Intrigue Lands Kirov Editor in Jail

Tver Legislative Assembly Campaign Begins with Foul Play

Titov Appoints New TV Chief in Samara

St. Petersburg Presidential Rep. Against Minimum Turnout Requirement

Far East Mafia Gains Billions in Illegal Seafood Exports

Ethnic Conflict and Regional Separatism

Violence Rocks Dagestan; Authorities Close Border with Chechnya

Governor's Profile

Federation Council Chairman Stroev Reelected

Social Issues

AIDS Outbreak in the Urals

Business Briefs

A Weekly Summary of Key Deals in the Regions

Economic Issues

Novosibirsk Electrode Plant To Be Privatized

St. Petersburg Tax Police Bank Account Frozen

Foreign Ties

Chubais Helps Bryansk, Daewoo Get Together

Foreign Investment in Vladivostok Down

Tver Businessmen Seek Ties with China

Regional Profile: Yamal-Nenets Autonomous Okrug

BREAKING NEWS

22 October

-- **PRIMORSKII DUMA RECOGNIZES CHEREPKOV.** The Primorskii Krai Duma annulled its 26 September decision removing Vladivostok Mayor Viktor Cherepkov from power. The earlier vote had created the latest political crisis in the city when local banks started taking orders from First Deputy Mayor Yurii Kopylov, whom the regional дума had appointed in Cherepkov's place. Cherepkov, in turn, had started to set up his own bank. Governor Yevgenii Nazdratenko initially supported the дума's move, but then distanced himself from it by visiting Cherepkov in the hospital, where he was recovering from a hernia operation. Kopylov is now competing for a seat in the дума with elections set for 7 December and says he plans to sue for being unjustly fired as first deputy mayor. (*Kommersant-Daily*, 23 October)

23 October

-- **ARRESTS IN MANEVICH CASE.** Federal Security Service Director Nikolai Kovalev announced that the **ST. PETERSBURG** authorities had arrested a suspect in the 18 August assassination of St. Petersburg privatization chief Mikhail Manevich. So far five suspects have been arrested, but all have been released for lack of evidence. The St. Petersburg authorities rejected any assertions that they had solved the case, noting that the investigation still had a long way to go. (NTV, 24 October)

24 October

-- **PARTIES PREPARE FOR MOSCOW ELECTIONS.** The Moscow branches of the Russia's Democratic Choice, Yabloko, and Our Home is Russia are negotiating agreements not to run candidates against each other in the Moscow City Duma elections set for 14 December. Whether the fractious parties will be able to reach agreement in practice remains to be seen. No such accord worked in the 1995 elections to the State Duma. Duma Member Aleksei Podberezkin is leading the opposition "My Moscow" bloc.

-- **RUSSIA, LITHUANIA SIGN BORDER AGREEMENT.** President Boris Yeltsin and Lithuanian President Algirdas Brazauskas signed a treaty delimiting the Russian-Lithuanian border. The only oblast affected is **KALININGRAD**, whose eastern border runs along Lithuania. During his trip to Moscow, Brazauskas proposed once again that Lithuania supply energy to Kaliningrad as a cheaper alternative than sending it across the Baltic states from **LENINGRAD OBLAST**. Earlier this year, Russia's energy monopoly, Unified Energy Systems (EES) lowered the rates it charges Kaliningrad by 50% when Governor Leonid Gorbenko threatened to buy from the Lithuanians. Lithuania has an excess of energy and is in constant search of foreign customers. Russia is unlikely to accept the offer because it produces sufficient electricity on its own and because it does not want the exclave oblast to become dependent on foreign suppliers (*Ekspert*, 27 October). In a related story, *Izvestiya* reported 29 October, that during Yeltsin's 10 November trip to Beijing, China and Russia are likely to make considerable progress in resolving their border dispute.

-- **ROSSEL FOUNDS BANK. SVERDLOVSK** Governor Eduard Rossel founded Gubernskii Bank - The Sverdlovsk Oblast Commercial Bank for Economic and Social Development. The bank was founded on the basis of INKOR-bank, which had been originally

based in Moscow but is now registered in Yekaterinburg. Rossel said that the oblast gained the right to open its own bank following the signing of a power-sharing treaty with Moscow. The bank has 310 billion rubles (\$53 million) in founding capital and the oblast administration will increase this figure to 500 billion (\$85 million) by the end of the year. Rossel wants the bank to manage funds from the oblast's 25 trillion ruble (\$4 billion) 1998 budget and raise cash for the resolution of social issues, such as paying off the oblast's wage-arrears debts. (*Uralskii rabochii*, <http://ur.etel.ru>, 25 October) At this point it is not clear how much of the bank the oblast administration will actually own. (*Kommersant-Daily*, 28 October)

-- **TATARSTAN, BASHKORTOSTAN BLOCK BANK REFORM.** The Finance Ministry discussed the federal government's decision to stop relying on "authorized banks" to handle budget funds and switch over to a system in which the state treasury will manage all transactions. Since the inception of Russia's economic reforms, the banks have generated enormous profits from their handling of the state's money. So far treasury offices have been established in 85 of Russia's republics and regions and are being set up in Ingushetiya and the Evenk Autonomous Okrug. Only Tatarstan and Bashkortostan are barring the federal government from carrying out the reform. (*Kommersant-Daily*, 25 October)

26 October

-- **ASTRAKHAN ELECTIONS.** With a turnout of 31.3%, Astrakhan voters elected 27 of 29 members to the oblast legislature. Most of the winners were independents, but 4 Communists and one member of the hardline leftist United Front of Working People won seats. No other parties will be represented. (*Segodnya*, 28 October)

-- **STROEV REELECTED. OREL** voters almost unanimously backed Governor Yegor Stroev in his bid for a second term. For more details and a profile, see below.

27 October

-- **VORONEZH BUSINESSMEN PROTEST.** Businessmen from Voronezh held a street rally to protest the abuse of tax revenues by government bureaucrats. Each of the area's 10,000 businesses pays between 2.5 and 2.7 million rubles (about \$400) in various fees each year. The protesters complained that city and oblast officials use this money to buy imported furniture for their offices where they occupy themselves with computer games. The oblast administration did not respond to the protest, but Voronezh Mayor Aleksandr Tsapin set up a committee to address the problems and excoriated the guilty office workers. Regional officials complain that many of the local businessmen do not pay their taxes. (*Radio Rossii*, 27 October)

29 October

-- **SKLYAROV IN GERMANY. NIZHNII NOVGOROD** Governor Ivan Sklyarov led a delegation of 150 oblast administration officials and businessmen to Dusseldorf, Germany to participate in a fair spotlighting the region's economy. When the fair closes on 31 October, the oblast will sign a treaty on further cooperation with the state of Northern Rein-Westphalia. (*Odnoi stroikoi*, <http://www.inforis.ru/n-nov/info/brief/>, 29 October)

-- **GOVERNORS GAIN HIGHER PROFILE.** *Izvestiya* announced that it would publish more interviews with Russia's governors so that readers could gain a better understanding of this new group of powerful political leaders. The first interviewee was Saratov's Dmitrii Ayatskov, a favorite of the presidential administration. He stressed that the federal government should treat all regions equally in terms of financial support and programs. Many of the ethnic republics now receive greater benefits from the center than the predominantly Russian oblasts. Additionally, he stressed the rights of the regions to go their own way in implementing programs such as housing reforms. He nevertheless asserted that the country should remain governable with a "strong center and strong regions."

30 October

-- **MASSIVE PROTEST ACTION IN PRIMORE.** At the initiative of the Trade Union Federation, a massive protest action took place across the entire **PRIMORSKII KRAI**, with over 250,000 protesters marching in Vladivostok, Nakhodka, Ussuriysk, Arsenev and other cities (RIA Novosti, <http://www.ria-novosti.com/ruproducts/>, 30 October). Over 6,000 people came to Vladivostok from other parts of the region to join the rest of the marchers in their picket lines around Governor Yevgenii Nazdratenko's regional administration building as well as Mayor Viktor Cherepkov's city hall. According to Vladimir Chubai, Chairman of the Primore Trade Union Federation, the protest action is purely economic in nature. Its main demand is to suspend the economic reforms which he claimed are being conducted at the expense of social guarantees. Chubai claimed that the total sum of wage arrears in Primore amounts to 1.37 trillion rubles (\$236 million), and that 80% of the region's population lives below the poverty level. Additionally, the marchers protested against the proposed new social tax, which will deny trade unions an important source of income by curtailing their control over healthcare insurance funds, Chubai said. This effort brings together unions of miners, energy sector workers, teachers, physicians, fishermen and workers of the municipal housing complex, many of whom are engaged in strikes and law-suits in addition to the main protest action, the newspaper *Vladivostok* (<http://vl.vladnews.ru>) wrote on 30 October.

PATTERNS OF REGIONAL DEVELOPMENT

POLITICAL INTRIGUE LANDS KIROV EDITOR IN JAIL

by Alex Levinsky, *Bryanskoe Vremya*

YEKATERINBURG-BRYANSK - In early August, *Vyatskii Nablyudatel-2* (Vyatka Observer-2) Editor-in-Chief Sergei Bachinin was taken into custody as a suspected drug dealer and was released only three days later, after he began a "dry" (without water) hunger strike. Now, while the investigation is continuing, he is prohibited from leaving Kirov (the Communists' name for pre-revolutionary Vyatka, the oblast capital 900 km east of Moscow).

Ironically, several days before Bachinin's arrest, Kirov Oblast Police Chief Gen. Rozuvan officially stated that the police had not conducted any undercover operations against him.

In a Yekaterinburg hotel during the international conference "New Media for a New World" two weeks ago, Bachinin's deputy Vera Yakubovich gave an exclusive interview claiming that marijuana had been "planted" in the editor's office in an attempt to prevent him from engaging in further political activities and stop his publication of critical articles detailing the local authorities' corruption. The police later explained that they came to the office only after receiving an anonymous telephone call about a bomb in the editor's office. Upon their arrival, they did not find an explosive device, but packs of marijuana hidden on bookshelves holding the works of Leo Tolstoy, Mohandas Gandhi, Albert Schweitzer, and Martin Luther King.

Afterwards, Yakubovich's home was also searched and police "found" packs of marijuana and a grenade. A male policeman bodysearched her because "they didn't have a female officer with them". Unlike her boss, Yakubovich wasn't taken to jail and the police, without further explanation, claimed that the drugs and the weapon belonged to Bachinin.

In March 1997 Sergei Bachinin ran for the mayor's office in Kirov. During the campaign, he used his paper as a mouthpiece to promote his campaign, taking advantage of his position to write articles supporting his candidacy under a pseudonym.

Bachinin lost the election and now is suing the local election commission claiming that the results were fraudulent. The Russian Supreme Court has yet to make a ruling.

Vera Yakubovich described the police action as the climax of the paper's long-running conflict with the authorities: When the editor took part in the campaign, another local paper *Kirov Vechernii* (Kirov at Night) published two stories about him. At that time, the newspaper had a circulation of 120,000, extremely large by provincial standards. The *Kirov Vechernii* editor wrote a story under the headline "Naked Truth" which asked in a subhead, "Will a Criminal Become Our Mayor?" The article depicted Sergei Bachinin as one of Kirov's "god-fathers". After Bachinin tried to sue the rival paper for libel and demanded material compensation for the allegedly slanderous article, *Kirov Vechernii* published a "Naked Truth-2" story claiming that police agents had written the first story and made the editor publish it.

The media attack wasn't the first attempt to stop the bold editor. One night when he was going home, two unknown assailants stopped him on a dark street and one of them, Yakubovich says, stabbed Bachinin with a knife. The police have yet to arrest any suspects.

"It was silly to plant drugs in Bachinin's office and even more absurd to put them in the pockets of his pants," Vera Yakubovich said. "The editor is known as a sportsman who doesn't even smoke plain cigarettes - to say nothing of drugs. It was also silly to plant a grenade in my apartment because I'm a staunch pacifist..."

According to *Zhurnalist* correspondent Oleg Chachilov, Bachinin was known as a "dissident" long before he started his newspaper: During the era of "perestroika" he used to produce a one-copy wall newspaper condemning local authorities and place it on one of the city's fences.

When Moscow's *Izvestiya* (1 October) investigated the case, its correspondent wrote that "*Vyatskii Nablyudatel-2*" sometimes "opposed the authorities for the sake of scandal".

Nablyudatel was sued many times for libel and it has lost some cases. Nevertheless *Izvestiya* supported Sergei Bachinin in his battle.

TVER LEGISLATIVE ASSEMBLY CAMPAIGN BEGINS WITH FOUL PLAY AGAINST JOURNALIST. Tver Oblast will elect a new Legislative Assembly this December and the campaign is off to a strange start in the provincial city of Vishnii Volochek, which is on the railway connecting Moscow and St. Petersburg. Tamara Vodicheva, a correspondent of *Tverskay Zhizn*, well known for her sharp criticism of the district authorities, decided to run for a seat this week. The powers that be saw her move as a threat, however, and did not want to remain passive. On 21 October, agents of the Federal Security Service detained Aleksei Alekseev as he was placing a special telephone listening device in the lobby of Vodicheva's apartment building. Alekseev works for the private security agency "Defence" and simultaneously serves as the body guard of Vishny Volochok Mayor Mark Hasainov, who is also planning to run in the elections in this district center. The district prosecutor's office has opened a criminal case against Alekseev, charging him with violating article 138 of the Russian Federation Criminal Code. - Boris Goubman in Tver

TITOV APPOINTS NEW TV CHIEF IN SAMARA. In what appears to be a preemptive move before the upcoming regional legislative elections, Governor Konstantin Titov of Samara removed the head of the regional TV broadcasting company "Samara" Anatolii Semenov, appointing in his place Aleksandr Knyazev, a scandalously famous tabloid journalist. Some claim that Knyazev's appointment signifies the consolidation of control over the regional media by the gas lobby which already owns much of the local press, including Knyazev's newspaper *Samarskie izvestiya* (*Delo*, <http://www.info.samara.ru/delo/>, 14 October). The gas lobby made its first attempt to control regional television when Semenov sold all of the station's advertising time to "Volgopromgas." That decision alienated the viewing audience, which now prefers to watch alternative channels, and the television station's staff, which had publicly expressed its lack of confidence in Semenov. Most observers, however, see Titov's move as a pre-election ploy to insure favorable TV coverage for those regional Duma candidates he would like to win, *Delo* reported (21 October).- Natan Shklyar

ST. PETERSBURG PRESIDENTIAL REPRESENTATIVE AGAINST MINIMUM TURNOUT REQUIREMENT. President Yeltsin's representative in St. Petersburg, Sergei Tsyplyaev, spoke out against the minimum voter turnout requirement in the local government elections. When the last such elections took place on 28 September, 79 out of 111 municipal districts failed to produce the 25% voter turnout mandated by federal legislation (See *IEWS Russian Regional Report*, 2 October). Consequently, election results in those districts were not valid. According to Tsyplyaev, if the minimum requirement is not revoked, the city will waste even more money on another fruitless round of voting, as a result of the electorate's widespread apathy and disappointment. "I am against the minimum requirement because it limits the rights of those who choose to go out and vote," Tsyplyaev said. He feels that low turnout is a lesser evil than invalidated elections and a lack of local self-government. He has already met with those deputies who were elected on 28 September and plans to personally oversee the transfer of

powers from the non-existing local governments to the city administration. - Valeri Ianovski in St. Petersburg

FAR EAST MAFIA GAINS BILLIONS IN ILLEGAL SEAFOOD EXPORTS. In yet another piece of muck-racking journalism, *Izvestiya* (21-23 October) described the deplorable situation in Russia's Far East, where criminal organizations have permeated the fishing and sea-food processing industries, costing the Russian government trillions of rubles in lost tax revenue and depleting Russia's natural marine resources.

According to the series of articles, about 4 million tons of marine life resources (fish and other sea-food) are extracted from Russian territorial waters in the Far East each year, of which over 2 million tons end up as illegal exports. Approximately 10% of all the sea-food remains on the Russian market. The article is not clear on what happens to the remaining 40%. Citing Sakhalin Governor Igor Farkhutdinov, *Izvestiya* claims that Russia's losses from unaccounted exports amount to \$2 billion annually, or \$5.5 million daily.

The illicit export of marine produce has developed into what experts call an illegal Russian-Japanese "joint venture" through which Russian poachers fish in Russian territorial waters and deliver the produce to their Japanese counterparts. While in the past Japanese poachers had to risk being chased out by the Russian border guards, today Russian fishermen illegally deliver the goods straight into Japanese hands. For example, Japanese officials estimate that in 1995 Russian fishermen delivered 56,783 tons of crab (worth \$662 million) to Japanese ports. At the same time, Russia's Far Eastern Customs Agency recorded Russia's crab exports at a mere 7,316 tons (worth \$85.5 million).

Working for the Japanese customers is so profitable that many Russian fishing ships hardly ever return to Russian ports during the fishing season. They stay out in the sea, carefully avoid encounters with Russian authorities, and enter Japanese ports to sell their produce, as well as to make necessary repairs and buy fuel and supplies. Japanese consumers of these illegal exports are quite happy. Ever since the "joint venture" began its operations, prices for seafood delicacies have declined sharply on the Japanese market. The "joint venture" in effect circumvents legal authorities and strips Russia of tax revenue on sea-food exports, thus denying Far Eastern regions the necessary funds to restructure their economies and support the decaying fishing industry. Additionally, uncontrolled exploitation of marine life by the "joint venture" irrevocably depletes scarce marine resources.

Several factors make this illegal business possible. First of all, Far Eastern fishermen resort to illegal poaching and tax evasion because of the impossibly high taxes and tariffs which make legal operations unprofitable. Fishermen who have not been paid in over two years have no recourse, especially when they see the complete indifference of regional authorities who have failed to address the region's structural problems.

Second, the fishermen have developed effective ways to cheat the agencies whose task is to supervise fishing and fish processing. Signed blank customs permits and other fraudulent documents are widely available in the underground market. Captains of fishing ships consistently engage in fraudulent record keeping (lying about their routes, ports of destination, and daily location), often running two ship logs--one for the Russian customs officials, and the other one for Japanese authorities.

Third, the chaotic system of bureaucratic rivalry and overlap which governs Russia's fishing and fish processing industries provides fertile soil for corrupt practices, most notably bribery. Overall, Japanese law-enforcement officials estimate that 20-25% of the profits from the illegal seafood exports is used to bribe Russian bureaucrats on various level. (The estimated annual net profit for the fishing mafia is \$3 billion.) Corruption begins with the lowest level of inspectors, whose ships are known to enter Japanese ports and load up with consumer goods. Similarly, the so-called "observers" on the foreign floating fish-processing plants are usually bribed \$100 a day to ignore instances of illegal purchases of produce from Russian fishermen.

Most of the bribes, however, trickle up to the supervising agencies, such as the regional fishing control agency, the Sakhalin branch of the Federal Security Service (FSB), and all the way to Moscow-based federal agencies supervising the fishing industry. In Moscow proper, the "quota distribution policy" made in the fishing industry department of the Agriculture Ministry has provided fertile ground for foreign bribery. For example, while Russian fishermen were permitted to catch 6,500 tons of salmon in Russia's territorial waters in 1997, their Japanese counterparts gained a much higher quota of 26,000 tons of salmon by bribing the right people.

The cover of "scientific research" by numerous marine life research institutes provides another inventive ruse for illegal fishing in the Far East. These institutes have de facto become legitimate "fronts" for the illicit activities of the fishing mafia. By using their special status, research institutes send out fishing boats that extract marine produce with no oversight whatsoever. Unlike regular fishing vessels, ships sponsored by these institutes do not have to follow assigned routes, nor do they have to keep record of extracted sea-food. Additionally, research institutes enjoy over half of all the distributed quotas for the extraction of marine bio-resources in the Far East

The Russian government has been trying to deal with corruption through a unified system of supervision over the fishing and sea-food processing industries. However, much of the problem lies in the pathetic state of the coastal customs agencies, currently responsible for the immediate supervision of the fishermen. They are under-funded and poorly equipped, with few working ships at their service. So, the poachers go unpunished, successfully exporting \$5.2 million worth of sea-food every day, while the customs agents catch merely \$90,000 worth of contraband produce annually. Potential federal programs have been discussed but were never implemented by the agencies with vested interest in the chaotic status quo.

Recently, President Yeltsin's decree transferred supervisory functions from the corrupt government fishing agencies to the Federal Border Guards, one of the few government institutions that has remained relatively clean. In an interview with *Izvestiya* (28 October), the Director of Federal Border Guards Andrei Nikolaev said that the President's decree establishes order in the area which until then was plagued by rival and overlapping corrupt bureaucracies. With their new duties, the Federal Border Guards have to restructure and operate more like the US Coast Guard, insuring effective supervision and rapid reaction to poachers. Many problems remain: the Federal Border Guards' annual budget is only 5 trillion rubles (\$860 million), much less than the poachers are making from their activities. Therefore, the Border Guards will ask for additional budgetary allocation of 1 trillion rubles (\$170 million) to repair their existing fleet of vessels, purchase fuel, and acquire new ships. Additionally, one of the old supervisory fishing agencies will transfer 30 of its ships to the Federal Border Guards. - Natan Shklyar

ETHNIC CONFLICT AND REGIONAL SEPARATISM

VIOLENCE ROCKS DAGESTAN; AUTHORITIES CLOSE BORDER WITH CHECHNYA

by Nabi Abdullaev, *Novoe delo*

MAKHACHKALA - During the last week, Dagestan has experienced the bloodiest sequence of days since the end of the Chechen War. To stem the bloodshed, the authorities have closed their border with Chechnya. Here is a short chronology of the key events.

Friday, 25 October

- Near the village of Aksai in the Khasavyurt region, 1 policeman was killed and 8 taken hostage after a clash not far from the border between Dagestan and Chechnya.
- Two traffic police were shot to death in the center of Makhachkala while checking the documents of a suspicious driver.
- A bomb blast in Russian Border Service military camp in Makhachkala wounded several soldiers and officers.

Saturday, 26 October

- The Dagestani Minister of the Interior closed all border checkpoints with Chechnya, a move likely to cause serious economic losses for Dagestan. Many of the goods arriving in the republic come across Chechen territory. Moreover, the closure of the checkpoints was unlikely to bring the expected results. The length of the border between Dagestan and Chechnya exceeds 500 km and remains open to criminal invasion. The authorities do not have enough troops to cover the entire area.
- A radio controlled bomb, hung on a tree near the road, exploded as an armored car carrying Russian policemen passed by. One was killed, 4 were badly wounded.
- A group of Dagestani investigators left for Chechnya to trace the kidnapped militiamen.

Sunday, 27 October

- Chechen President Press Secretary Kazbek Hodzhaev said that Chechnya was in a state of economic siege. He claimed that the border closure cut the inflow of medicine, food and other supplies. (This statement seems exaggerated because Chechnya's borders with Ingushetiya and Stavropol Krai remain open.)
- Chechen President Aslan Maskhadov denounced the kidnapers on local TV. He promised to punish them severely.
- The Chechen authorities approached the Dagestani government asking that it reopen the borders. Hundreds of convoys and civilians are stuck at the checkpoints. Makhachkala is adamant - the only way to begin negotiations is to liberate the hostages.
- The Dagestani investigators returned from Chechnya having identified the kidnapers. However, they were not able to determine the place where the hostages were being kept.

GOVERNOR'S PROFILE

FEDERATION COUNCIL CHAIRMAN STROEV REELECTED. Orel Oblast voters on 26 October reelected Governor Yegor Stroev who also serves as Federation Council chairman, to his post with an 95% landslide victory. Stroev's vote share is about the same as Kemerovo Governor Aman Tuleev (94.5%) scored in his 19 October election. Only Ingushetiya President Ruslan Aushev, Kabardino-Balkariya President Valerii Kokov, and Tatarstan President Mintimer Shaimiev scored higher. (*Kommersant-Daily*, 28 October) Stroev's only competitor was "Victory" Collective Farm Chairperson Vera Yenina. Turnout in Orel was 71%, significantly higher than in most gubernatorial races (*Segodnya*, 28 October).

The actual campaign generated little excitement. Neither candidate published a platform or actively sought voter support. Yenina even announced that she thought people should vote for Stroev (*Izvestiya*, 23 October). The local media heavily supported Stroev as did both the Communist Party and the Kremlin (*Itogi*, 20 October). The only excitement came when the electoral commission refused to register two candidates, the local leader of Vladimir Zhirinovskiy's Liberal Democratic Party of Russia, Sergei Isakov, and independent Vladimir Kapustyanskii. The electoral commission claimed that many of the signatures they had collected were not valid. In response, Zhirinovskiy demanded Stroev's resignation from the floor of the State Duma and threatened to "liquidate" the chairman of the electoral commission by 1 January.

Stroev was originally elected governor in April 1993 with support from the Communist Party of the Russian Federation. (For an earlier profile, see *Russian Regional Report*, 29 January) He later left the Communist party and now works with the pro-government Our Home is Russia. Nevertheless, he simultaneously maintains good relations with both the Communists and the president. During the recent government crisis, he disapproved of any attempts to dissolve the Communist-dominated Duma and in January this year supported constitutional amendments limiting the president's power of appointment. Nevertheless, shortly before the gubernatorial elections, Yeltsin visited Orel to praise Stroev in a relatively rare personal appearance outside of Moscow.

The Federation Council is growing increasingly stronger as it plays a mediating role between the government and Duma over such important economic issues as the federal budget and tax code. As chairman of the parliament's upper house, Stroev must balance these adversarial components at the federal level while addressing regional issues. Unfortunately for Stroev the regional elite do not speak with one voice. There are numerous cleavages between wealthy and poor regions, the ethnic republics and the predominantly Russia oblasts, and the pro-reform regions with progressive leadership and their anti-reform rivals. Despite this cacophony of interests, Stroev stresses that above all the Federation Council should play a stabilizing role in the political process

Stroev recently surprised observers in Moscow by pushing forward land privatization despite his past reservations. He told *Nezavisimaya gazeta* (16 October) that he thought the upper house could pass the Land Code with provisions including private property for land, the right to rent it out, and the right to pass it on as an inheritance in the near future. He stressed, however, that the state must sell off its land holdings at fair prices rather than the artificially low

prices that it had used in the past. Stroev is undoubtedly an expert on the topic and boasts of his doctoral dissertation entitled "Land Use in the USA." Orel is perhaps the leading region in land reform. Despite the lack of federal legislation, the region's own limited legislation allows rural residents to take land as their own property and lease it a collective farm or farmers' collective (*Itogi*, 20 October).

In terms of federal relations, Stroev has actively spoken out in favor of equal rights for all components of the Russian Federation. In a recent speech, he denounced double standards for the ethnically defined parts of the country. Moreover, in mid - 1996, he criticized the Kremlin's signing of power-sharing treaties with the components of the federation, stressing that they would widen inequalities in the rights the various units can exercise. Such statements could damage his relations with regional leaders eager to protect the benefits that they have attained. - Robert Orttung

SOCIAL ISSUES

AIDS OUTBREAK IN THE URALS. The city of Verkhnyaya Salda in Sverdlovsk Oblast is experiencing an epidemic of AIDS. In the city of 52,000, 36 have tested HIV positive, *Kommersant-Daily* on 23 October. In Yekaterinburg, by contrast, there are only 15 registered cases in a city of 1.5 million. The cases have been traced to a HIV-positive couple who sold a potent opiate that was cooked in vinegar anhydride and mixed with their own blood. The couple's location is currently unknown. Many people in the city are living in fear that they will be infected. The Swedish press has reported similar cases of the virus being spread through the use of blood-based drugs in Kaliningrad Oblast, the Russian region with the greatest incidence of AIDS. - Robert Orttung

BUSINESS BRIEFS

-- **KAMAZ** resumed production on 23 October after the factory had stood idle for 10 days. Production was halted because the plant directors decided that they would lose more money working than doing nothing. The plant will now halt production as much as one week a month and one month or more during the summer. The new chairman of the board of directors, Ravil Muratov, has only been able to attract a \$50 million government credit from **TATARSTAN'S** government, but no other investments. The factory's leadership is trying to reinstate its shattered relationship with the US firm Kohlbert Kravis Roberts (KKR). KKR had committed to attract up to \$3.5 billion in investment in return for share options. The leaders are also threatening that the firm will go bankrupt. The federal tax police support bankruptcy proceedings because of KamAZ's 90 billion ruble (\$15 million) debt to the federal government. (*Kommersant-Daily*, 23 October)

-- **UDMURTIYA'S IZHMAH** and the US firm **SMITH & WESSON** have signed an agreement to produce each other's products. Izhmash, famous for its AK-47, will begin producing guns designed by the Americans, while Smith & Wesson will manufacture Saiga-12 hunting rifles and Bizon-2 pistols. (*Kommersant-Daily*, 24 October)

-- In the last two weeks, two members of **AVTOVAZ'S** leadership have been murdered. On 23 October, a lone assassin killed Deputy Commercial Director Vladimir Shishkov and on 15 October General Director for Technology Oleg Shevtsov was murdered. Shishkov signed delivery contracts for the **SAMARA**-based auto giant, but it is not clear if his duties at the plant sparked his murder. (*Kommersant-Daily*, 23 October) The managers and workers of the company have asked the federal government for "decisive measures" to protect them. (*Izvestiya*, 28 October)

-- **MOSCOW** Mayor Yuri Luzhkov is planning to build a "Golden Ring of Moscow," linking the city's main sites along a tourist path that will eventually include a small tram. Most of the city's current buses are inadequate for the job since they are dirty and run with broken seats. The number of tourists in the city has dropped from 5 million in 1991 to as low as 400,000 this year. (*Segodnya*, 23, 24 October)

-- The **MOSCOW** government is keenly interested in pushing forward on the project to build an International Business Center called "Moscow-City." Investment in the overall project is expected to reach \$8 billion and will be located on the Krasnopresnenskaya Embankment. The construction of a pedestrian bridge that will include shops is expected to be completed by the end of this year. The site currently lacks electricity, heating, water and sewer hookups and is not convenient to the city's transportation network. The city has also announced a competition for rights to build on the site. (*Nezavisimaya gazeta*, 23 October, *Segodnya*, 23 October)

-- Five **SAMARA** banks, **INKOMBANK**, **SBERBANK**, **ROSESTBANK**, **ROSSIISKII KREDIT** and **SAMARAAGROBANK** are working with the **EBRD** to give loans to small businesses in the region. So far this year they have given credits of 54 billion rubles (\$9 million). (*Delo* [Samara], <http://www.info.samara.ru/delo/>, 21 October)

-- The **SAMARA AVIAKOR** airplane factory and the **BRITISH MARKETING COMPANY** have signed an agreement in which the British will play a role in producing, marketing, and leasing the new AN-140 passenger airliners. Each plane costs \$7-9 million and the agreement foresees producing 25-30 planes. (*Delo* [Samara], 21 October)

-- The **WORLD BANK** has lent **NIZHNI NOVGOROD OBLAST** more than \$15 million to buy 100 new electric buses and repair more than 150 electric trains and buses. More than 2.5 million passengers use public transportation in the city every day, down about 15% from just a few years ago. (*Odnai stroikoi*, <http://www.inforis.ru/n-nov/info/brief/>, 28 October)

-- **IRKUTSK OBLAST** announced that it will decide who will win the rights to work the Sukhoi log gold deposit on 5 March 1998. Competitors must submit secret bids and pay \$10,000 to join the competition. Companies do not have to demonstrate their financial health to participate, a condition that means that the deposit is likely once again to fall into the hands of a firm that does not have the resources to develop it. In particular, the tender conditions will help

Australia's **STAR TECHNOLOGY**, which held the rights to the deposit, as an investor in Lenzoloto, until the Russian courts ruled that it had won them illegally. Trading in Star shares has been suspended on the Sydney stock exchange. Canada's **BARRICK GOLD** is likely to be Star's major competitor, though the Irkutsk administration apparently prefers Star. According to the terms of the offer the winner must pay Lenzoloto, which used to have the rights to the site, \$50 million for the expenses it has incurred so far, \$5 million to the raion budget, and \$2.5 million each to the oblast and federal budgets as an initial fee. The winner will also have to pay 14.8% of the proceeds of what it produces in fees to the federal and local governments. (*Finansovye izvestiya*, 28 October, *Kommersant-Daily*, 28 October)

-- A consortium of Western firms has offered an initial sum of 25 million Swedish Crowns (about \$3.3 million) to build two modern storage facilities for radioactive waste produced by atomic submarines and ice-breakers that has built up on the Kola Peninsula (**MURMANSK OBLAST**). The storage facilities will be built in the Urals. The Swedish firm **SVERIGES CHERNBRENS LEKHANTERING AB** leads the consortium, which includes **BRITISH NUCLEAR FUEL LTD.**, France's **SNG**, and the Norwegian **KVYANER**. The western firms hope to attract additional financing from western banks. (*Izvestiya*, 29 October)

-- The **NIZHNII NOVGOROD OBLAST** legislature approved a law giving the **FIAT-GAZ-EBRD** joint venture a four-year tax holiday from all NDC, property, and road taxes. (*Segodnya*, 28 October)

-- **TATNEFT** and **NIZHNEKAMSKNEFTEKHIM** are building an oil processing plant in Nizhnekamsk, **TATARSTAN**. Tatneft currently lacks the ability to refine the oil it draws out of the ground. The overall cost of the project will be \$500-700 million. The US's **CITIBANK** has already provided a \$112 million credit. (*Segodnya*, 28 October)

-- **KEMEROVO** Governor Aman Tuleev flew to France to receive a government credit of \$200 million. The money will buy equipment for open coal mining and support programs to create new jobs. (Radio Mayak, 27 October)

ECONOMIC ISSUES

NOVOSIBIRSK ELECTRODE PLANT TO BE PRIVATIZED. As recommended by the Interagency Balance Commission (Mezhvedomstvennaya ballansovaya komissiya), a 52% stake in the Novosibirsk Electrode Plant might be sold as a package deal. Currently, the shares are owned by the federal State Property Ministry and the Novosibirsk Oblast Property Committee (which own 36.6% and 15.5% of the plant respectively). The interagency commission believes the company's condition can only be improved by bringing in 100-150 billion rubles (\$17-25 million) of capital. The Novosibirsk Electrode Plant is one of the most impressive non-ferrous metals enterprises in the region, producing up to 70% of Russia's electrodes. Today the company is in a dire financial situation: it owes 40 billion rubles (\$7 million) in back taxes to the federal government, and has failed to contribute a single ruble to the

pension fund in the first half of this year. Of the company's revenue worth 106 billion rubles (\$18 million), only 30 billion rubles (\$5 million) was in cash (the remaining revenue was generated through barter).- Konstantin Kanterov in Novosibirsk

ST. PETERSBURG TAX POLICE BANK ACCOUNT FROZEN. In an unprecedented development, the bank accounts of the Federal Tax Service (the tax police) in St. Petersburg were recently arrested. In a May 1997 case, the tax police confiscated more than 2.3 billion rubles (\$400,000) from the bank account of "Eko-Belm" (part of the "Baltic Industrial Group") for failure to pay value added tax (VAT) as well as the special tax on the resale of oil products. According to the tax police, "Eko-Belm" evaded paying taxes by using unregistered firms in Chechnya which bought oil without paying levies. However, the agency failed to prove its case to the arbitration court, and was ordered to return the confiscated money to the firm. To this end, the agency's bank accounts were frozen, an action which was immediately protested by the St. Petersburg branch of the Federal Tax Service and promptly overturned by a court order from the head of St. Petersburg's municipal court. The head of the St. Petersburg branch of the Federal Tax Service claimed that required funds should be returned to "Eko-Belm" from the federal budget, to which they have already been transferred, not from the bank account of the Federal Tax Service regional branch. - Valeri Ianovski in St. Petersburg

FOREIGN TIES

CHUBAIS HELPS BRYANSK, DAEWOO GET TOGETHER. Bryansk Governor Yuri Lodkin claimed on 23 October that First Deputy Prime Minister Anatolii Chubais had suggested to him the possibility of assembling Daewoo vehicles at the Bryansk Automotive Works. According to Lodkin, Chubais offered his aid in contacting Daewoo representatives in Russia. Initially, the plant would assemble cars exclusively from Korean parts, then gradually shift to the use of locally produced components to create jobs in the region.

The Bryansk Automotive Works used to produce heavy trucks for military purposes and employed more than 18,000 workers five years ago. After it was declared bankrupt, a court put off the payment of its debts for 18 months and appointed an outside manager who has not been able to resolve the plants wage-arrears and production problems during the past year. The plant's debt to the state alone amounts to 14 billion rubles (more than \$2.3 million). At the same time, the state owes the business more than 1,7 billion rubles (about \$300,000) for vehicles it has supplied in the past. - Alex Levinsky, Bryanskoye Vremya, in Bryansk

FOREIGN INVESTMENT IN VLADIVOSTOK DOWN. Foreigners invested \$23.4 million and 106 billion rubles in Vladivostok during the first half of 1997, *Vladivostok* reported 28 October. These figures were lower than the same period last year when foreigners invested \$30.8 million and 59 billion rubles. Essentially all of the money was provided as credits that must be repaid. The USA, Great Britain, and Japan contributed more than half of the dollar investments, while Korea and Singapore accounted for ruble credits. During the period there were 340 active joint ventures employing 7,600 employees. The joint ventures produced 549.5 billion rubles in goods; 23% more than the same period last year. - Robert Orttung

TVER BUSINESSMEN SEEK TIES WITH CHINA. On 16 October, a delegation of Tver businessmen returned from China where they participated in the International Industrial Exhibition in Dalian (Liaoning province). The exhibition was attended by business delegations from the US, Japan, South Korea, Canada, and Russia. The Tver Textile Trade company signed two 500 million ruble (\$85,000) contracts with Chinese suppliers envisioning the supply to Tver of different types of textile and knitted wear. The Chinese businessmen were particularly interested in beds produced by Tver Furniture and fashionable hats made at the Zavidovo factory. Several contracts with these enterprises were signed, and prospective joint ventures were negotiated. A number of South Korean companies were prepared to buy flax fibres produced in Tver. - Boris Goubman in Tver

REGIONAL PROFILE: YAMAL-NENETS AUTONOMOUS OKRUG

Governor: Yurii Neelov

Yurii Neelov was elected governor on 13 October 1996 with 70% of the vote. He has close links to Gazprom which pumps most of its gas from his region. In the past he has criticized Moscow for making it difficult for the region to attract investment to develop its extensive natural resource developments.

Neelov was born in the region in 1952 and graduated from the Tyumen Industrial Institute in 1974. He began his career working as a car mechanic and then went on to Komsomol work from 1976-1987. In 1987 he was appointed chairman of the Surgut Raion Executive Committee. In 1989, he won election to the USSR Congress of People's Deputies.

Following the closure of the Congress in 1991, he worked as the deputy governor of Tyumen Oblast. Yeltsin appointed him governor of the okrug on 12 February 1994 and he won election to the Federation Council later that year. In the current Federation Council, he serves on committees addressing the problems of the north and small ethnic groups. In April 1997, he joined a presidential commission examining the relationship between the center and the regions.

Other Local Leaders

Chairman of the Okrug State Duma -- Nikolai Babin, elected in April 1994

Brief Overview

The Yamal-Nenets Autonomous Okrug was created in December 1930. Half of it is located above the polar circle in the Western Siberian lowland between the Polar Urals and the Yenisei River basin. The okrug shares borders with Nenets, Khanty-Mansi, Taimyr, and Evenk autonomous okrugs and Komi Republic. The okrug has about 300,000 lakes and 48,000 rivers.

Extensive oil and gas deposits were discovered in the 1950s. The region now produces 90% of Russia's gas and 12% of its oil and gas condensates. These raw materials account for 90% of the okrug's output. The region also contains deposits of manganese, phosphorus, and

rare earth and valuable metals. Moreover, the okrug has a fairly well developed forestry and timberworking industry; timber resources exceed 110 million cubic meters.

About a dozen indigenous peoples live in Yamal-Nenets, although they constitute only about 10% of its population. They are mostly employed in the traditional industries of fishing, reindeer-breeding, and hunting.

Basic Facts

1995 Population (est.): 479,700 (0.32% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 1.66%

Price basket index in July 1995: 195 (Russia as a whole = 100)

Average back wages owed per person (September 1995): 495,900 rubles (Russian average = 37,100)

Urban population: 82.9% (Russia overall: 73.0%)

Pensioner population (1994): 8.44%

Percent of population with higher education (1989 census): 12.5% (Russia overall: 11.3%)

Number of telephones per 100 families (1993): in cities : 25.1 (Russian average: 41.5); in villages: 20.1 (17.2)

According to a 1995 survey by Bank Austria, the okrug is ranked 61st among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 55.26%/79.28% (first round/second round)

Lebed: 15.76%

Zyuganov: 9.18%/15.18%

Zhirinovskiy: 7.57%

Yavlinskii: 6.25%

Turnout: 63.73%/66.09% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Our Home Is Russia: 23.05%

Liberal Democratic Party of Russia: 14.95%

Party of Workers' Self-Government: 11.05%

Women of Russia: 6.62%

Yabloko: 6.23%

Communist Party of the Russian Federation: 5.63%

Congress of Russian Communities: 3.67%

Forward, Russia!: 3.01%

In single-member districts: 1 independent

Turnout: 61.02% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 78.77% "No" -- 21.23%

1993 Parliamentary Elections

Liberal Democratic Party of Russia: 19.57%

Russia's Choice: 19.37%

Women of Russia: 19.12%

Yabloko: 9.11%

Party of Russian Unity and Concord: 7.83%

Democratic Party of Russia: 6.69%

Communist Party of the Russian Federation: 3.99%

Agrarian Party of Russia: 1.14%

In single-mandate districts: 1 independent

>From electoral associations: 1 Women of Russia

Turnout: 46.94% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 67.91%

Zhirinovskiy: 10.46%

Ryzhkov: 8.33%

Tuleev: 5.17%

Bakatin: 3.59%

Makashov: 2.41%

Turnout: 69.02% (Russia overall: 76.66%)

Sources: Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections], Moscow: Yuridicheskaya Literatura, 1995; Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown], Moscow: Panorama, 1996; Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995], Moscow: Central Electoral Commission, 1996; Gubernatory Rossii [Governors of Russia], Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: Regional Risk Rating in Russia, Vienna: Bank Austria, 1995.

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TABLE OF CONTENTS

Breaking News

A Survey of Key Events in Russia's Regions

Patterns of Regional Development

Regional Authoritarianism Flourishes in Tatarstan

Tver Court Rules that Local Executives Can't Run for Oblast Legislature

Saratov Politicians Continue to Discuss New Land Law...

... While Outsiders Consider Implications

Roma Representation Opens in Saratov

Kirov Editor's Case Goes to Court

Social Issues

Chemical Weapons To Be Destroyed in Bryansk

Business Briefs

A Weekly Summary of Key Deals in the Regions

Economic Issues

Belgorod Governor, Shareholders Gain Control over Metal Plant

ADR Issue Postponed in Kuzbass

Tax Break for Fiat in Nizhnii

French Specialists Will Help Save Energy in Tver

Debt Arrears Endanger the Dead in Novosibirsk

Foreign Ties

Saratov Resumes Grain Exports

St. Petersburg Governor Discusses Alternative Service Plan at UN

Nordic Countries Aid Ailing Russian North

Krasnoyarsk Summit Seeks Greater Japanese Investment in Russian Regions

Regional Profile: Ivanovo Oblast

BREAKING NEWS

25 October

GAZPROM SHUTS OFF GAS TO SAFONOVO. Because of the city's 30 billion ruble (\$5 million) debt to the company, Gazprom shut off gas supplies to Safonovo in Smolensk Oblast. As a result, the temperature in apartments, schools, and hospitals dropped to 10 degrees centigrade. On 25 October, Mayor Vyacheslav Balalaev sent special Ministry of Internal Affairs troops (OMON) to start the gas flowing again, a task they accomplished without any opposition. Gazprom representatives said that the incident endangered the safety of the plant and Russia's entire gas distribution system. After Gazprom Chairman Rem Vyakhirev complained, Mayor Balalaev issued a formal apology on 28 October. Now the gas is flowing, but the city has no way to pay for it. Similar incidents have occurred across the country, including in Dagestan. (*Kommersant-Daily*, 31 October)

30 October

DUMA PASSES LAW ON REGIONAL FOREIGN POLICIES. The State Duma passed in the second reading a bill on the coordination of the regions' foreign political and economic ties. According to the bill, regional authorities must notify the Ministry of Foreign Affairs within 14 days once they begin negotiations with a foreign government. They must also submit all signed agreements to the federal executive authorities for registration within a month and the federal authorities must either register the decision or explain why it was rejected within a month. The federal government refuses to be bound by treaties signed by regional governments. Foreign regional governments can open offices in Russian regions, but their staff members do not have the status of diplomatic representatives. The law reflects the center's general attempt to control regional foreign policies. (*Kommersant-Daily*, 31 October)

KEMEROVO LAWYERS REJECT POWER-SHARING TREATY. Kemerovo Oblast lawyers, charged with examining the text of a power-sharing treaty between the Kremlin and the oblast have determined that the treaty violates Russian law because it gives too much power to the region. The oblast administration drafted the treaty and passed it on to the regional legislature for approval. Among the questionable provisions in the draft is a clause giving the oblast the power to appoint the regional procurator and the head of the Department of Internal Affairs. Additionally, the draft would give regional laws precedence over federal laws, another violation of the Constitution. The existing text also neglects to state the purpose of the treaty. (*Kommersant-Daily*, 31 October)

MOSCOW CRACKS DOWN ON GUEST WORKERS. Moscow Mayor Yurii Luzhkov is about to sign a bill approved by the Moscow Duma which will impose stiff penalties on employers who hire foreigners living in the city illegally. The bill foresees allowing 50,000 foreigners to work in the city in 1997, but unofficial sources suggest that there are as many as 300,000 citizens of Vietnam, China, Romania, Turkey, Belarus, Ukraine, and Moldova employed on various construction sites and in the city's transportation network. The authorities believe that they have lost between 30 and 40 billion rubles (\$5-7 million) in uncollected taxes. (*Izvestiya*, 30 October)

MORE POWER-SHARING TREATIES. The Kremlin signed power-sharing treaties with Astrakhan, Murmansk, Ulyanovsk, Kirov and Yaroslavl oblasts, bringing to 37 the number of such treaties signed. President Boris Yeltsin said that the treaties would help the center and regions jointly address agro-industrial problems in Yaroslavl, investment in the extraction of raw materials and health care in Kirov, environmental issues in Astrakhan, car and airplane construction in Ulyanovsk, and the relocation of citizens to southern regions from Murmansk. (*Segodnya*, 31 October)

VORONEZH COMRADES UNHAPPY WITH RED GOVERNOR. The anti-Communist *Rossiiskaya gazeta* reported that Voronezh Communist Party leader Ruslan Gostev criticized Governor Ivan Shabanov, who was elected with party support, for lacking a well thought out program to address the oblast's problems and appointing a team of subordinates that is working in its own interests rather than serving the oblast. Moreover Gostev chided the governor for not improving the economic and social condition of the oblast, noting that production is continuing to fall, the budget is hundreds of billions of rubles in the red, and there is little investment. Communist party leaders have also been critical of Communist governors in regions like Stavropol.

KHAKAMADA NAMED MINISTER FOR SMALL BUSINESS. President Boris Yeltsin appointed Duma Member Irina Khakamada as a minister in charge of the State Committee to Support and Develop Small Business. The Committee was not given any funds in the 1997 budget and is not slated to receive any in the current 1998 draft budget. Khakamada said that the moneyless committee will coordinate the support of small business in the regions rather than finance concrete projects. Khakamada said that she will be allied with First Deputy Prime Minister Boris Nemtsov in the government. In the Duma she had developed tax benefits for small businesses and now will push for a law that will limit small business' tax liability to no more than 10% of their turnover or 30% of their profits. (*Kommersant-Daily*, 1 November)

31 October

COURTS DISAGREE OVER REGIONAL ELECTIONS. *Segodnya* reported that the Constitutional and Supreme Courts have come to different conclusions regarding the rights of regions to set elections. The Supreme Court ruled that the Moscow City Duma had illegally extended its term of office from the original two years for which it was elected in December 1993 to four years. The Constitutional Court, however, in examining similar cases in Perm, Vologda, and Novosibirsk oblasts ruled that the regional legislatures themselves can determine their term of office. The paper sees the differences as part of a larger battle between the courts to determine which is the most authoritative.

AIDS SPREADING ACROSS RUSSIA. One of Russia's leading doctors, Gennadii Onishchenko, told the Duma that there are now officially 6,600 HIV-infected individuals in Russia and 250 sick with AIDS. Ukraine has recorded 29,000 HIV-infected individuals. Doctors expect 15,000 cases by the end of the year and up to 1 million in 2000 if the disease continues to spread at the current rate. One sixth of HIV positive Russians are in prison. In

1998, there will only be 50 billion rubles (\$8.6 million) to spend on programs to combat the disease across Russia. Since up to 90% of the cases are thought to come from drug users, widespread distribution of disposable syringes could slow the spread of the disease. (*Kommersant-Daily*, 1 November)

YELTSIN ON CENTER-PERIPHERY RELATIONS. In his traditional Friday radio address, Yeltsin discussed the role of power sharing treaties between the federal government and the republics and regions that make up the country. He noted that the first treaty, signed with Tatarstan in 1994, had served as an emergency measure to prevent Tatarstan from declaring its independence from Russia. Now, he said, the treaties are no longer seen as gifts from the center. Instead, he argued that the governors now see them as "good support" in their work and serve as a way to involve the federal government in addressing issues that the regions cannot resolve alone.

(http://www.maindir.gov.ru/Administration/Press_Release/SVWI1952.html/)

CONSTITUTIONAL COURT BACKS KREMLIN IN DISPUTE OVER MAYOR.

The Constitutional Court ruled that the federal government has the right to call mayoral elections whenever it wants in regions that do not have their own laws defining local government institutions. The particular case concerns a dispute in Tula Oblast. The regions have had plenty of time to adopt laws on electing or reelecting local leaders since the federal law on local government was passed more than two years ago. (*Kommersant-Daily*, 4 November)

1 November

YELTSIN, NEMTSOV SIGN POWER-SHARING TREATY WITH

KRASNOYARSK, TAIMYR, EVENKIYA. While in Krasnoyarsk for his meeting with Japanese Prime Minister Ryutaro Hashimoto (see Foreign Ties for details), President Yeltsin signed a 38th power-sharing treaty with three regional leaders: the governors of Krasnoyarsk Krai, Taimyr (Dolgano-Nenets) Autonomous Okrug and Evenk Autonomous Okrug (the latter two being formally constituent parts of the former as well as equal subjects of the federation). Such a treaty, the first of its kind, firmly outlines the delineation of authority between the Kremlin, the krai, and the two autonomous okrugs, *Nezavisimaya gazeta* reported (4 November). Much to everyone's surprise, Yeltsin personally insisted that the treaty be signed by First Deputy Premier Boris Nemtsov in addition to the four chief executives. Nemtsov will supervise the agreement's enforcement. Deviating from the usual protocol, the action suggests another Yeltsin hint that he is nurturing Nemtsov as his successor. This speculation was further reinforced by Yeltsin's earlier remark that Nemtsov will carry out whatever "long term" agreements that come out of the Russian-Japanese summit.

3 November

LUZHKOV ORDERS HOTEL CHECK. After an unsatisfactory visit to the Molodezhnaya Hotel, Moscow Mayor Yurii Luzhkov has ordered an inspection of the city's approximately 30 three-star hotels to see if their facilities and service live up to their rank. The mayor had visited the hotel for a celebration and didn't like the "gray floors and old stone." Most of the city's

three-star hotels were built about 20 years ago when Moscow hosted the Olympic games. (*Kommersant-Daily*, 4 November)

SKLYAROV MARKS FIRST 100 DAYS. Nizhnii Novgorod Governor Ivan Sklyarov said that his main accomplishments during his first 100 days in office were floating a \$100 million Eurobond issue, signing a contract between the Gorkii Automobile Factory (GAZ) and the Italian carmaker Fiat, and taking the first steps toward stopping the collapse of the chemical industry based in Dzerzhinsk. (*Odnai stroikoi*, <http://www.inforis.ru/n-nov/info/brief/rus/0311.html.k/>)

4 November

REGIONAL LAW CONTRADICTS FEDERAL LEGISLATION. During the last two years, the Justice Ministry has examined 44,000 legal acts from the regions, including laws, gubernatorial orders, and similar documents, and found that nearly half of them do not correspond with the constitution or federal legislation. For example, North Osetiya, Voronezh, Samara, Arkhangelsk, Irkutsk, Tyumen, and Omsk have arrogated for themselves the right to structure the judiciary, when Article 71 of the Constitution reserves this right for the federal government. Despite some political disagreements, the main points of dispute are economic. Altai Krai, Sverdlovsk Oblast and the Nenets and Khanty-Mansi Autonomous Okrugs have passed financial, hard-currency, credit, and customs laws that violate the constitution. Kareliya, Volgograd, and Nizhnii Novgorod have introduced illegitimate taxes. Khakassiya, Khabarovsk, and Novgorod have established illegal fees for issuing licenses. Additionally, the State Anti-Monopoly Committee has filed about 500 cases against regional executive authorities for unfairly creating favorable conditions for friendly firms while discriminating against others. (*Izvestiya*, 4 November)

PATTERNS OF REGIONAL DEVELOPMENT

REGIONAL AUTHORITARIANISM FLOURISHES IN TATARSTAN

by Prof. Midkhat Faroukshine, Department of Political Science, Kazan State University

Legacies of authoritarianism are halting the development of Russia's embryonic federalism. As the experience of other countries shows, federalism is impossible without democracy. While Russia is far from being a democratic society, any efforts toward democratization taking place on the federal level are often counteracted in the regions. Tatarstan is a case in point.

Just a few examples: According to federal legislation, all elections in the Russian Federation must be competitive, which implies that at least two candidates should be registered for each contested office with the regional electoral commission. Otherwise, elections are null and void. However, Tatarstan's Constitution (Article 77) states that "any number of candidates may be listed on an electoral ballot," which could mean only one candidate as well. Local elites naturally decided to use this loophole: Mintimer Shaimiev ran unopposed for the republican

presidency in both 1991 and 1996. Similarly, in the 1995 campaign for the Tatarstan legislature (State Council), 21 heads of local governments ran unopposed.

The Russian federal Constitution limits the president of the Russian Federation to no more than two 4-year terms in office. Adopted in November 1992, Tatarstan's Constitution makes a similar provision for two 5-year terms. Accordingly, Shaimiev should serve as president of Tatarstan until 2001 at which point he should step down with no right for re-election. However, in February 1997 the State Council amended the Constitution (with ill-concealed support from the president), effectively removing the term limits. Today, the same person can be reelected as Tatarstan's president as many terms as he pleases.

Both the Russian and the Tatarstan Constitutions clearly outline the separation of powers. If on the federal level this principle is partially upheld, it is completely violated in Tatarstan. The republic employs a very peculiar electoral system. Legislative elections are held in two types of electoral districts: territorial and administrative-territorial. Boundaries of particular administrative-territorial precincts coincide with those of Tatarstan's raions or municipalities. For example, the capital of Tatarstan, Kazan, is subdivided into 7 raions. Accordingly, 8 administrative-territorial electoral districts are formed: the boundaries of the seven territorial districts match those of the seven raions, while the eighth district matches the boundaries of the entire city. Moreover, Tatarstan has 43 rural raions, so 43 more administrative-territorial precincts are added to Kazan's eight. Finally, ten other cities were allotted the status of administrative-territorial precincts. Therefore, there were 61 administrative-territorial precincts in the 1995 legislative election. Simultaneously, all the eligible voters were divided up by the number of projected territorial precincts. Since the legislature's composition had been set at 130 members, and 61 of them were to be elected through the administrative-territorial precincts, 69 were to be elected in the territorial precincts. Under this system each voter casts two votes, one in a territorial district and one in an administrative-territorial district.

Such an elaborate and complex scheme was created by the elites to insure the election to parliament of heads of raion and city governments. The catch was that candidates in the territorial precincts could only run if they had given prior formal consent to give up their current occupation and become full-time members of parliament. In contrast, candidates in the administrative-territorial precincts could run even if they intended to keep their previous job upon election. It is in these precincts that heads of local governments ran and were elected. As a result, when the composition of the new legislature was finalized in March-April 1995, 51 heads of raions and cities entered the parliament. Only 3 heads of local government lost their races. Altogether, 78 members of the 130-strong parliament are officials of various rank and standing, including highly placed public officials, but also directors of schools, chief doctors in hospitals, directors of enterprises, etc. This is how Tatarstan got its "bureaucratic parliament."

But the authorities did not stop there. Many directors of these different organizations were also elected in the territorial precincts. Despite having given their formal consent to give up their prior positions and become full-time parliamentarians, they simply adopted a constitutional amendment removing this condition at the parliament's first meeting. So, out of 69 deputies elected in the territorial districts, only 39 became full-time members of parliament.

The violation of the principle of the separation of powers is exemplified not only by the blunt unification of republican legislative duties with serving in the executive branch, but also by combining service as the head of the local administration with chairing the local council. Heads of municipal and raion administrations are still appointed by the president of Tatarstan, not popularly elected. Therein lie the roots of servile obedience, hypocrisy, and flattery that the appointed officials abundantly exhibit for the person of President Shaimiev and for the Kazan Kremlin's policies.

Political opposition, as commonly understood, does not exist in Tatarstan. Various small groups of uncoordinated opposition call themselves "parties" and "political movements," but their voice and impact are hardly noticed. They are not represented in the institutions of power, and their ability to organize and consolidate support outside the parliament is quite weak. Thus, these groups have no bearing on policy-making or on public opinion. None of the leaders of the local parties or senior representatives of the all-Russian movements have substantial political influence.

Unlike its predecessor (the Supreme Soviet), today's State Council does not show any kind of organized opposition either. In 1995 the authorities managed to get all their favorite candidates elected. The parliament is completely subservient to the executive branch and, like in the old days, unanimously approves any bill or resolution submitted by the government or supported by the president. Today's parliamentarians know very well that they are legislators only in so far as the executive branch wants them to be. The experience of opposition deputies in the previous parliament (none of whom, by the way, made it to the new body) teaches today's deputies a valuable lesson: to stay in office (whether one's ambition is to remain in the legislature or to get a lucrative government appointment) one must not quarrel with the executive branch.

In general, personnel appointments and operational decision-making in Tatarstan is strictly centralized. Every manager of not only state-owned enterprises, but also of private joint stock companies, knows that his future depends on the highest level of executive authority in the republic. Tatarstan's media also finds itself in utter financial and personal dependency on the administration, and the president in particular. The servile character of the media is so obvious that they are totally incapable of providing the independent and unbiased information coverage necessary for the democratic political process.

One can also find certain deviations from democratic norms in the sphere of human rights. On the one hand, Tatarstan's official minimum wage of 350,000 rubles (\$60) a month is much higher than the Russian average. However, this rate only applies to those employed in government agencies or organizations funded from the republican budget. It does not apply to people employed in agencies and organizations funded from the federal purse, who effectively become second-rate citizens.

Federal authorities do nothing about this situation, apparently guided by certain political calculations. However, the transition of various regions to democracy at different paces is hardly possible within the framework of a unified federal state.

TVER COURT RULES THAT LOCAL EXECUTIVES CAN'T RUN FOR OBLAST LEGISLATURE. On 31 October the Tver Oblast Court ruled against allowing district

executives to run as candidates in the elections to the Tver Oblast Legislative Assembly this December. On 17 September, the Legislative Assembly passed a law which allowed the executives to simultaneously serve in the Assembly. Tver Governor Vladimir Platov supported the move in an attempt to win support from the district authorities while his critics vehemently opposed the idea. The head of the opposition, Valerii Nekhaev, characterized the amendment as violating the internationally accepted principle of the division between the executive and legislative branches of power. In response, lawyers in the governor's office referred to the precedent set by the Federation Council, where governors and the chairmen of regional legislatures serve as members of the upper chamber of parliament. District heads are also publicly elected and, according to the governor's argument, are in a better positions to represent their constituencies if they are elected to the Assembly as well. The existing law does not address this controversial issue. On 31 October, the governor's lawyers did not attend the court session to hear the verdict. Meanwhile, the heads of districts participating in the elections are reluctant to withdraw their candidacies hoping that there will be a long delay between the verdict and its actual implementation.--Boris Goubman in Tver

SARATOV POLITICIANS CONTINUE TO DISCUSS NEW LAND LAW... The "Law on the Land" adopted in the first reading by the Saratov Oblast Duma provoked a variety of reactions in the region, *Saratovskaya meria* reported (31 October). If ultimately approved and signed into law, the law will allow the buying and selling of land (See *IEWS Russian Regional Report*, 23 October). Vladimir Titaev, the only deputy who voted against the bill, said that he opposed not so much the idea of adopting the land law, but rather the concept of adopting a land law in one particular region. He argued that because Saratov's neighbors (Kazakhstan and Ulyanovsk, Penza and Samara oblasts) do not operate under a similar law, Saratov's agricultural produce will become more expensive and thus less competitive. However, Boris Dvorkin, a member of the governor's staff feels that these fears are unfounded as the law will only limit the emergence of large land-owners and will penalize those who do not use the land productively. Saratov Mayor Yuri Aksenenko thinks that the new law simply puts into legal language the processes that have been going on in the region for some time now. However, the city would benefit from being clearly defined as a land-owner with all the accompanying property rights, he said.--Lyudmila Rodina in Saratov

... WHILE OUTSIDERS CONSIDER IMPLICATIONS. Saratov's adoption of a land law in the first reading sparked legislative activity in other regions interested in following the oblast's lead and fierce opposition in Moscow. Opposition stems from the law's explicit permission to buy and sell privately-held land and is articulated by the conservative Agrarian Party, mostly composed of collective farm leaders. Following the disturbing news from Saratov, Agrarian Duma deputies asked the Property Committee, the Legislation Committee, and the Agrarian Committee of the lower house to evaluate the legality of the Saratov Oblast Duma decision (*Rossiiskaya Gazeta*, 5 November). Additionally, Mikhail Lapshin, the Agrarian Party leader visited the region and upon his return authored an open letter to Saratov Governor Dmitrii Ayatskov, urging him to back down from the controversial bill, since in his opinion it contradicted the Russian Constitution and the Civil Code (*Kommersant Daily*, 4 November).

However, Ayatskov replied that he would firmly defend the legality of the oblast's initiative and politely told Lapshin to mind his own business (*Rossiiskaya Gazeta*, 5 November). Even though the law in question is lifted almost entirely from the federal Land Code bill, according to Agrarian deputy Nikolai Kalinin, the Agrarian faction plans to ask the President to annul the Saratov law or to appeal to the Constitutional Court with a similar motion. *Kommersant Daily* argued that the Duma's opposition comes from its fear of losing control over land issues. At the same time, the oblast дума was well within its authority to adopt such a law, given the provisions of the Constitution (Article 72 allows the buying and selling of land) and the power-sharing treaty between the Kremlin and Saratov Oblast. Furthermore, if Saratov is challenged, the newspaper argued, the Federation Council (the upper chamber of the national parliament, composed entirely of regional leaders) will come down on its side.--Natan Shklyar

ROMA REPRESENTATION OPENS IN SARATOV. The European Roma Rights Center (ERRC) officially opened an office in Saratov under the auspices of the Women-Lawyers' Association. The Roma (Gypsies) have large communities in several East European countries, such as Bulgaria, the Czech Republic, Hungary, and Russia. According to the 1989 census, there are 2,500 Roma residing in Saratov oblast, and they remain one of the most socially unprotected ethnic groups. The new center will provide legal counsel and financial aid.-
-Lyudmila Rodina in Saratov

KIROV EDITOR'S CASE GOES TO COURT

by Alex Levinsky, Deputy Editor-in-Chief, *Bryanskoye Vremya* (Bryansk Time)

BRYANSK -- *Vyatsky Nablyudatel-2* (Vyatka Observer-2) Editor-in-Chief Sergei Bachinin, who was taken into custody by the local police as a "suspected drug dealer" and released in three days after a waterless hunger-strike in early August (See *IEWS Russian Regional Report*, 30 October) has finished studying the files which the police prepared for his case in the local criminal court.

As Bachinin's deputy, Vera Yakubovich, relayed this week by e-mail, the suspect's attorney has now started reading the files which should take him another two weeks.

According to Yakubovich, Bachinin discovered that Police Officer Andrei Kokoshkin violated the secrecy of the investigation by showing the file to some witnesses before questioning them. Moreover, there was either no expert analysis of the drugs allegedly found in Bachinin's office or the analysis procedures were corrupted.

Bachinin will now seek to transfer his case from the local police department to the regional Procurator's office. High police officials backed by the Kirov governor are obviously trying to take revenge for the paper's stories on government corruption and "for the paper's politics on the whole," Yakubovich claims.

Unfortunately, like the police, the Procurator in the region is equally dependent on the governor, so he is just as unlikely to produce a fair decision, Yakubovich charged. Only an open trial which exposes the provocations of the authorities will prevent them from deciding the case in their favor, she claimed.

Vyatskii Nabludatel' has been published since 1 April 1991 and Bachinin is its only owner. Before starting the paper, Bachinin, a graduate of Yekaterinburg's Urals University, worked in a bakery. The Nablyudatel has a circulation of 56,000 and employs ten reporters and writers.

SOCIAL ISSUES

CHEMICAL WEAPONS TO BE DESTROYED IN BRYANSK

by Alex Levinsky, Deputy Editor-in-Chief, *Bryanskoye Vremya* (Bryansk Time)

BRYANSK -- The Pochep (Bryansk oblast) Soviet discussed the fate of the chemical weapons stored at the nearby military base for six hours on 16 October. The base's arsenal, which is the largest in Russia, includes highly toxic binary weapons. According to military sources, this year is the last that the old bombs and shells can be safely housed.

At the meeting, Defense Ministry representative Vladimir Zhdanov optimistically claimed that although "today the district has 7.5 tons of poisonous weapons, tomorrow the area will boast a vibrant economy." Although American scientists have proposed simply incinerating the dangerous material, he insisted that two-stage technologies advocated by Russian military experts (detoxication and incineration of the remnants) were safer.

According to Russian law, chemical weapons must be destroyed where they are stored. This law was adopted because many regional officials fear accidental contamination if the weapons are transported through their territory. Besides the Pochep site, there are another five storage sites located in Udmurtia, Penza, Saratov, Kirov, and Kurgan oblasts. Pochep officials hope to benefit from the experience gained in destroying the weapons in other regions.

The deputies inquired about the first experiments which were carried out in the town of Chapaevsky (Saratov Oblast). The results were far from satisfactory: The level of mortality in Chapaevsky is higher than the Russian average though no one had proven that there is a link between the death rate and the destruction of the chemical weapons.

Additionally, members of the local branch of the Union For Chemical Safety showed a film with striking images. For example, in the republic of Chuvashiya, there is a growing local cemetery next door to the "Khimprom" plant where the weapons were produced. Pochep Mayor Nikolay Kozulin commented that he "wouldn't like such videos to be filmed in the Pochep district".

Ultimately, the deputies decided to set aside technological issues and focus on geography, particularly the crucial question of where to locate the weapons destruction plant. For ecological reasons, however, there may not be a good place for the facility in Pochep. Scientists believe that there is a huge underground lake which supplies the district and perhaps the whole oblast with drinking water directly below the raion. Nevertheless, First Vice-Governor Boris Kopyrnov warned that, "We have to move forward resolutely because slow decisions could prove costly."

Building the entire complex to deal with the weapons will cost 1.5 billion rubles (about \$2 million), according to Mayor Kozulin. The military will have to construct roads and housing,

a kindergarten, hospital, and a sports club with a swimming pool. The deputies also mentioned the need for an early warning system in. They suggested strict monitoring to ensure that the ecology of the area is not damaged and regular medical checkups for the area's population. Moreover, they noted that it was important to develop evacuation procedures and ensure the provision of overall social support for those who live in the risk zone.

Russia has disposed of 4,000 chemical weapons during the last 15 years. On 31 October the State Duma voted to ratify the Chemical Weapons Convention, a step that will lead to the destruction of all of Russia's chemical weapons over the next 10 years. The Duma vote came after the government said that it would find the funds to get rid of the weapons. The Federation Council ratified the treaty on 5 November. Overall Russia has a 40,000 ton chemical weapon stockpile, the largest in the world. The overall cost of destroying the weapons could run as high as \$5-6 billion. For Bryansk oblast, which had suffered considerably from the Chernobyl catastrophe, this problem is of great importance.

BUSINESS BRIEFS

-- The **MOSCOW** government is prepared to spend up to \$500 million over the next 3-4 years upgrading the capital's telecommunications infrastructure. To carry out the project, the city will create a joint-stock company called Concern Mostelekom, in which the city will hold a controlling stake. The leading telecommunications companies will join the concern to determine the city's telecommunications policy. (*Finansovye izvestiya*, 30 October)

-- The **EBRD** will give a \$99.9 million credit for the first stage construction of the Mutnov Geothermal Electric Station in **KAMCHATKA**. It is the first energy generating plant in Russia to receive an EBRD credit. The energy produced by the plant will make it unnecessary to transport 120,000 tons of fuel to the region. (*Segodnya*, 30 October)

-- The government decreed on 22 October that whoever buys **NIZHNI NOVGOROD'S NORSI-OIL** must guarantee the delivery of 30 million tons of oil over three years to the Norski oil processing plant. These conditions have dramatically limited the number of investors interested in the plant, leading the company's directors to worry that there will be no buyers. The plant's main supplier, LUKoil, now provides less than 7 million tons a year. Norski has debts of 2.5 trillion rubles and requires \$500 million worth of investments. Governor Ivan Sklyarov would also like the investor to help address the problems of the petrochemical industry in Dzerzhinsk at a cost of up to \$400 million. (*Segodnya*, 31 October)

-- **SAMARA'S SAMEKO** has signed an agreement with the **AMERICAN REYNOLDS INTERNATIONAL** and **IRKUTSK OBLAST'S SAYANSK ALUMINUM FACTORY** according to which the factory will receive aluminum from Siberia, turn it into aluminum foil and pass it on to be sold by the American firm. The agreement is an intermediate step for Sameko toward being able to produce aluminum cans on its own. Sameko is working with the US firm **PACK INTERNATIONAL** to develop its production facilities. It hopes to make cans for

Samara's **COCA-COLA** and **PEPSI** bottling plants and also for Sweden's **PLM** firm in Narofominsk. (Radio Mayak, 30 October)

-- The **MOSCOW INTERBANK CURRENCY EXCHANGE** has provided \$50 million of the \$200 million to build a 36-story Financial Center in Moscow. Construction began 31 October. Moscow Mayor Yurii Luzhkov believes that the Center will boost the development of the Russian Stock Market and help integrate it into international markets. (*Kommersant-Daily*, 1 November)

--The German company **EHRMANN** will spend DM 50 million to build a yogurt factory in Ramenskoe (**MOSCOW OBLAST**). The factory will have a capacity of 30,000 tons a year. Ehrmann's main competitor, the Dutch **CAMPINA**, will build a plant in Stupino (Moscow Oblast) with a capacity of 50,000 tons of yogurt a year. The market it expected to grow dramatically as Russians consume one tenth as much yogurt a year as Western Europeans. (*Kommersant-Daily*, 1 November)

-- All the main stockholders of the **NOVOLIPETSK METALLURGICAL PLANT** voted against the adoption of a new charter at an extraordinary shareholders meeting 1 November. The **TRANS WORLD GROUP** has been in alliance with the plant's management in blocking the participation in the board of directors of a consortium of other investors that includes **RENAISSANCE CAPITAL, BANK MFK, and CAMBRIDGE CAPITAL MANAGEMENT**. According to *Kommersant-Daily* on 4 November, TWG is now negotiating to let the other three shareholders, who claim to own more than 50% of the plant's stock, onto the board.

-- Tatarstan truck maker **KamAZ** has produced its first bus working with a Slovenian partner, **AVTOMONTAZH-BUS**, in Slovenia. Both sides in the joint venture invested \$22.5 million. KamAZ supplies the engines, drive train, and other parts, while the Slovenians supply the chassis. Eventually the joint venture will begin producing buses in Tatarstan as well. (*Kommersant-Daily*, 4 November)

-- **NOVGOROD OBLAST** has become the only Russian region with which **DRESDENER BANK** was willing to sign a cooperation agreement for investment projects. The bank is working on two projects with **NOVGORODSKIE LESOPROMYSHLENNIKI** (Novgorod Forest Developers), the German firm **FLAIDERER-CHUDOVO**, which makes heaters for apartments, and **SPLAV**, which makes specialized equipment for atomic energy stations. (*Segodnya*, 4 November)

-- The British **NIMONOR INVESTMENTS LTD.** bought the **VYBORG CELLULOSE AND PAPER COMBIMATE** for 187 billion rubles (\$32 million). The company must now invest \$25 million over the next 18 months. (*Segodnya*, 4 November)

ECONOMIC ISSUES

BELGOROD GOVERNOR, SHAREHOLDERS GAIN CONTROL OVER METAL

PLANT. Russian governors are slowly consolidating control over major industrial enterprises in what some term the re-nationalization of the Russian economy on the regional level. The recent conflict over the Lebedinsky Iron Ore Works (LGOK), Europe's largest metallurgy plant, is a vivid example, and the intrigue behind it tells the story of shareholders' rights in Russia (*Izvestiya*, 31 October and *Moscow Times*, 28 October). The conflict began three years ago when one of LGOK's major shareholders, Rossiisky Kredit bank (at that point owning 23.3% of the stock) disagreed over policy matters with LGOK Director Anatoly Kalashnikov. The bellicose director used local police to kick the shareholders off the plant's premises and fired workers who sold their shares to the bank, when the latter attempted to beef up its share to the 25% necessary for influencing company policies. When the bank persisted in its efforts, Kalashnikov illegally issued 100 million more shares, diluting the despised bank's holdings to a mere five per cent.

Belgorod Oblast Governor Yevgeny Savchenko saw this conflict as an opportunity and offered to serve as its mediator in April 1997. Kalashnikov immediately turned against him (even though he himself had helped to finance Savchenko's election campaign), but this time around law-enforcement agencies were not on his side. They began harassing him the way they used to harass his enemies, while the regional arbitration court declared the 100 million share issue illegal and furthermore illegally confiscated 15 per cent of the stock that Kalashnikov personally had bought. Thus, the oblast governor ended up with 15% of LGOK's shares, which combined with Rossiisky Kredit's 36% became enough to fire Kalashnikov and replace him with Deputy Governor Nikolai Kalinin at a 2 November shareholders' meeting (*Segodnya*, 4 November). According to *Kommersant Daily* (4 November), Kalashnikov made a serious mistake by urging LGOK's workers (who together own 35% of the shares and allegedly supported the popular director) to boycott the meeting. The presence of 8,000 angry workers could have effectively sabotaged the meeting and made it impossible to remove the obstinate director.

The *Moscow Times* argued that the LGOK story is consistent with developments in other regions, where governors have asserted control over industrial enterprises. For example, "Sverdlovsk Governor Eduard Rossel has seized the Alkur Aluminum plant, Krasnoyarsk's [Governor] Valery Zubov has confiscated the Krasnoyarsk Ferrous Metals Plant for debt arrears and Kursk Governor Alexander Rutsvoi has snapped up half of the Mikhailovsky Iron Ore Works." Provincial governors, the paper concludes, are successfully re-nationalizing Russia's industrial giants, while Moscow is busy fighting the monopolistic tendencies of the large financial-industrial conglomerates.--Natan Shklyar

ADR ISSUE POSTPONED IN KUZBASS. Given the current volatility in the stock market, "Kuzbassenergo" decided to postpone its American Depository Receipts (ADR) issue. The company had been planning to issue the ADRs beginning last week. According to Taras Vazhnov, deputy general director of the "MirInvest" investment company, ADRs will be issued only after the stock market turmoil in Russia and the West ends. He predicts that it will happen no earlier than beginning of next year. The company plans to issue ADRs for 50 million shares

of "Kuzbassenergo," or 9 percent of its charter capital. The issue will be managed by the Bank of New York, while "MirInvest" will act as the company's financial consultant. The US Securities and Exchange Commission gave "Kuzbassenergo" permission to issue the ADRs one week before the market gyrations began.--Konstantin Kanterov in Novosibirsk

TAX BREAK FOR FIAT IN NIZHNI. Members of the Nizhnii Novgorod Oblast legislature unanimously approved the law "On government support for the automobile and automobile parts industry in Nizhnii Novgorod oblast." In reality the law benefits only one company (the auto-giant Fiat which is working in partnership with the local Gorkii Automobile Factory, GAZ) and only one project (the building of a new automobile plant, expected to produce its first cars for the Russian market in September 1998). The law frees the joint venture from the value added tax (VAT) and the property tax for four years, if foreign investment amounts to at least 40 percent of the company's charter capital. According to GAZ President Nikolai Pugin, these tax breaks will be critical for making the new cars competitive on both foreign and domestic markets. Pugin also expressed hope of obtaining some federal tax breaks.--Konstantin Kanterov in Novosibirsk

FRENCH SPECIALISTS WILL HELP SAVE ENERGY IN TVER. On 29 October the French-Russian exhibition-seminar on "Energy Saving in Tver" opened at the Tverenergo company Personnel Training Center. Electricite de France organized it in cooperation with Adem agency and the Tverenergo shareholding company. Electricite de France has been cooperating with Tverenergo for several years. This year, together with Finland's Ivo and Spain's Iberdrol, they are working on a TACIS project entitled "Optimization of the Energy Supply in Tver Oblast." The European Community has allocated 1.5 million ECU for its implementation. Focusing on the problem of saving energy resources, the project is aimed primarily at introducing new technology all over the region. At the exhibition, foreign and Russian companies are advertising new systems of energy supply control and other advanced equipment.--Boris Goubman in Tver

DEBT ARREARS ENDANGER THE DEAD IN NOVOSIBIRSK. Last week the management of the Novosibirskenergo utility notified the Novosibirsk State Medical Institute that it plans to suspend power to the medical school's laboratories and its morphology department. According to the school's chief administrator Vadim Voyloshnikov, this action might be catastrophic both for the school and for the residents of the surrounding areas. If the power supply is suspended to the institute's morgue, then the cadavers will begin to decompose, emitting poisonous gas, which will spread through the building, creating an environmental disaster in the entire region.

The medical school owes about 12 billion rubles (\$2 million) to the utility. (For comparison: the Novosibirsk city administration owes 521 billion rubles [\$90 million].) According to Voyloshnikov, the school is prepared to pay off its debt in installments, and has already prepared the necessary paperwork, but the utility company demands full payment by all the organizations reporting to the ministry which supervises the institute. The ministry's total payment arrears amount to 400 billion rubles (\$70 million).

If there is a problem, Voyloshnikov said, blame must be laid not on the power company, but on the federal government. Currently, the institute receives just enough money from the Feds to pay staff salaries (700,000 rubles [\$120] a month for the rector to 80,000 rubles [\$14] a month for cleaning personnel). "But in reality," said Mr. Voyloshnikov, "our conflict with the utility has become 'personal' in the last month, after the institute's rector Anatoly Efremov went to the director of Novosibirskenergo and promised to bring the cadavers to the utility's offices for safe keeping if it turned the power off."--Konstantin Kanterov in Novosibirsk

FOREIGN TIES

SARATOV RESUMES GRAIN EXPORTS. For the first time in many years Saratov Oblast has resumed exporting grain to foreign countries. In September, the local company Jupiter shipped 10,000 tons of barleycorn to Saudi Arabia, *Saratovskie vesti* reported 5 November. This shipment is only the first installment of Saratov grain sold abroad at world market prices, which are very profitable for the region's farmers. Jupiter is continuing the pre-1917 tradition of selling Saratov grains abroad, making the oblast a leader among other Russian regions. It is notable that the transaction was executed by a private commercial organization and not a government agency.--Lyudmila Rodina in Saratov

ST. PETERSBURG GOVERNOR DISCUSSES ALTERNATIVE SERVICE PLAN AT UN. Speaking at the 52nd UN General Assembly on 28 October, St. Petersburg Governor Vladimir Yakovlev announced that the city is developing a program provisionally entitled "Green Helmets." The program would accommodate those who refuse to be drafted into the military for religious or moral reasons. While "alternative service" is outlined in Russia's Constitution, no operational provisions have been made yet, which is why, Yakovlev said, he asked the President, the prime-minister, the Federation Council and the State Duma to facilitate the adoption of such a law. Until the law is in place, however, Yakovlev wants the federal authorities to allow St. Petersburg to create an experimental "Green Helmets" unit. The unit would work to address a variety of environmental problems in the region. According to Yakovlev, his initiative enjoys the support of UN Secretary General Kofi Annan, whom the governor met in New York for the second time. They had met for the first time to discuss St. Petersburg's social and cultural problems when Annan visited Russia's northern capital last summer. During their New York meeting the two leaders once again discussed the idea of proclaiming 2003 the "Year of St. Petersburg," marking its 300-year anniversary. Secretary General Annan hailed this initiative as well.

Governor Yakovlev came to New York not only as a member of the Russian delegation to the General Assembly (in which he was included by Yeltsin as a Federation Council member), but also to meet with US Congressional leaders, Administration officials, and potential investors. In particular, Yakovlev signed an agreement with the World Bank to borrow \$31 million for the restoration of St. Petersburg's historic downtown. At the signing ceremony in the World Bank's headquarters, the bank's president said that his organization gives top priority to this project, as St. Petersburg is an important part of the global cultural heritage. Yakovlev thanked the Bank, noting that the project will help rebuild the very heart of the city in time for its

300-year anniversary. He furthermore noted that the project is a part of his government's larger effort to reform the city's housing situation, which implies that any investment will be fully recovered.-- Valeri Ianovski in St. Petersburg

NORDIC COUNTRIES AID AILING RUSSIAN NORTH. Russia's Northern regions are developing strong ties to their Nordic neighbors, according to an article in *Itogi* (21 October). Cooperation with Northern European countries, such as Sweden and Norway, is helping the Arkhangelsk and Murmansk oblasts deal with the mounting social and economic problems in some of Russia's least developed territories.

Like most Russian regions, the North has been devastated by plummeting industrial production and the social problems that accompany it. All the "Northern privileges" of the past, in the form of higher wages and benefits, are long gone. The cities of Arkhangelsk and Murmansk host shanty towns and obsolescent industrial plants, a testimony to the region's impoverishment. Today Arkhangelsk's port is essentially dying, barely hobbling along working at 20% of capacity. The government tried to privatize the port, but retained 45 percent of its stock, and barred foreign investors from participating. As a result, there is still 20 percent of the port's equity that nobody has claimed. Meanwhile, the government, though the largest shareholder, has failed to invest a single ruble in the port's development.

The situation is the same in the fishing and fish-processing industries: they bar foreign investment, despite the desperate need for capital. Because of high and unreasonable taxes they must pay in the Russian ports, Russian fishermen prefer to sell fish to Norwegian processing plants. Consequently, even the successful Russian fish processing plants are denied raw fish. The irony of Russian protectionism is that it protects Russia from foreign investments, *Itogi* argues. Timber producing enterprises have ceased to exist in the region altogether, as the timber trade is no longer profitable.

This dire destitution flies in the face of the enormous potential hidden in the Russian North. For example, rich diamond deposits were recently discovered near Arkhangelsk. In the late 1980s some of the richest oil fields in Russia were discovered in the Barents sea. However, no effort has been made so far by the government to develop these natural resources.

Direct foreign investment in Russia's North is still very low. According to the Arkhangelsk tax service, there are only 120 joint ventures in the whole region, of which three-fourths exist purely on paper. The remaining joint ventures specialize in resource extraction only, be it oil, fish or timber. Foreign investors have been cautious to invest in industrial production since conditions remain unfavorable. For instance, there is no law protecting foreign investments, nor is there a working production sharing law. For every ruble earned, companies lose 87 kopecks in taxes.

While foreign investment might falter, Nordic governments are actively involved in helping Russia's North. They view aid to Russia's North as a strategic issue, for it is in their interest to prevent these Russian regions from slipping further into poverty and instability. As it is, Russia's Nordic neighbors suffer from higher radiation levels (since the Northern Fleet has turned the Kola peninsula into a nuclear dump), from higher levels of atmospheric pollution (the source of which are the decaying industrial cities in Murmansk oblast), as well as from the invasion of the Norwegian North by Murmansk prostitutes spreading syphilis.

In one example of government assistance, Norwegians have invested over 1.5 million Norwegian crowns into a project dealing with women's problems in the Barents sea basin. In Murmansk, for example, this money was used to build a shelter and counseling center for abused women. In the face of common sense, Murmansk municipal authorities immediately taxed the center as if it were a for-profit organization. Since 1991 the Swedes have been sponsoring the Murmansk oblast unemployment center. They have equipped and computerized its offices and currently hold classes retraining unemployed Russian workers to become skilled in the areas where there is demand for labor.--Natan Shklyar

KRASNOYARSK SUMMIT SEEKS GREATER JAPANESE INVESTMENT IN RUSSIAN REGIONS. Held in Krasnoyarsk on 1 November, the informal summit between Russian President Boris Yeltsin and Japanese Prime Minister Ryutaro Hashimoto was heralded as a great success, despite the lack of concrete agreements. The meeting's format was designed to be informal and focus on building of mutual trust and good interpersonal relations between the two leaders. One important angle discussed at the summit was the intensification of Japanese investment in the Russian economy. So far Japan has invested only \$227 million in Russia, a mere 1.7% of its total foreign investment. Speaker of the Federation Council Yegor Stroeve expressed the hope that the summit would result in more economic cooperation, especially on the regional level, where geopolitical disputes can be avoided. For this reason, Stroeve explained, the Russian delegation included representatives from five Central Russian regions and Amur oblast (*Nezavisimaya gazeta*, 1 November). Stroeve himself had just returned from a trip to Japan.

Much progress should be made after the summit, judging by the two sides' agreement to develop closer economic partnership. For example, *Itogi* (3 November) reported that the government of Japan plans to help Russia modernize and computerize the Trans-Siberian railway track. Also, the question of the Kavytkinsky gas field (Irkutsk oblast) was discussed. The project (estimated at \$8 billion) might halt unless the Japanese firms are granted favorable tax breaks, *Itogi* reported. In another example, Rossiiskii Kredit bank agreed to finance the construction of a foster home in Krasnoyarsk in partnership with several Japanese firms (*Nezavisimaya gazeta*, 1 November).

The highly contentious territorial issue of the disputed Kuril Islands was intentionally left off the summit agenda. However, the fact remains that this dispute has reduced Japan's trade with Sakhalin Oblast (of which the Kurils are a part), compared to Primorskiy or Khabarovsk kraia. Therefore, Sakhalin's regional government had prepared a set of proposals aimed at widening Russian-Japanese cooperation. One proposal outlines the joint development of the Kuril Islands, including the construction there of a geothermal power station (Russian Television, 30 October). Additionally, the head of the Southern Kuril islands administration, Vladimir Zema, called for a multilateral form of governance, involving Moscow, Tokyo, Sakhalin oblast, the Southern Kuril islands, and the neighboring Japanese prefecture of Hokkaido, *Izvestiya* reported (4 November). But so far Hokkaido has been cautious about investing in Sakhalin, limiting its activity to a few joint ventures in fish processing and the hotel business, Russian Television reported.--Natan Shklyar

REGIONAL PROFILE: IVANOVO OBLAST

Governor: Vladislav Tikhomirov

Vladislav Tikhomirov was elected governor on 1 December 1996, winning 50.13% of the vote in the first round.

He was born in 1939 and raised by his school teacher mother after his father was killed in World War II. Following his studies at the local agricultural institute, he worked as an economist in one of the oblast's state farms. There he also was an elected Komsomol organization leader. Later, he became a full-time party functionary. He was first secretary of two district Communist Party organizations and then secretary of the oblast party organization responsible for agriculture. After that, he was elected chairman of the oblast executive committee.

In March 1990, Tikhomirov was elected to the Russian Federation parliament and the oblast legislative council, of which he ultimately became chairman. In June-August of that year he also was the first secretary of the oblast Communist Party committee. In December 1993, he was elected to the Federation Council, the upper house of the new Russian parliament, where he became a member of the Agriculture Committee. In March 1994, Tikhomirov won a seat and chairmanship in the oblast legislative assembly. In January 1996 he became an *ex officio* member of the Federation Council, where he holds the position of deputy chairman of the Agricultural Committee. Yeltsin appointed him governor in February 1996.

Other Local Leaders

Chairman of the Legislative Assembly -- Valerii Nikologorskii, elected in February 1996

Brief Overview

Ivanovo Oblast is located in the center of European Russia, about 300 km east of Moscow. It was created in 1929 and is a part of Russia's Central Economic region.

Historically, the oblast was an industrial center since it lacked rich mineral resources and soil suitable for fruitful agriculture. In the previous centuries, peasants unable to feed themselves from cultivating the land became involved in crafts; icon painting, weaving, and carving. Later, when the region had established economic ties with Central Asia and started to receive cotton from there, it became the center of the country's textile and light industry. Today, 70 regional textile factories produce over one half of the country's cotton fabrics.

Machine building is another significant regional industry. Ivanovo enterprises manufacture equipment for the textile industry and others as well. The regional chemical industry produces dyes and acids for the local textile manufacturers. The oblast also has a well developed timber industry, since about a half of its territory is covered with woods. Timber plants and textile factories are the region's major exporters.

Basic Facts

1995 Population (est.): 1,274,700 (0.86% of Russian total)
Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 0.54%
Agricultural production as percentage of all Russian production (1994): 0.80%
Average personal income index in July 1995: 54 (Russia as a whole = 100)
Price basket index in July 1995: 90 (Russia = 100)
Average back wages owed per person (September 1995): 27,000 rubles (Russian average = 37,100)
Urban population: 82.3% (Russia overall: 73.0%)
Student population (1993): 195 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 29.20%
Percent of population with higher education (1989 census): 8.9% (Russia overall: 11.3%)
Percent of population working in (1993): Industry: 39.9% (Russian average: 29.9%);
Agriculture: 10.0% (12.8%); Trade: 8.3% (9.1%); Culture: 11.4% (13.6%); Management: 2.5% (2.3%)
Number of telephones per 100 families (1993): in cities : 29.2 (Russian average: 41.5); in villages: 14.1 (17.2)
According to a 1995 survey by Bank Austria, the oblast is ranked 12th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 29.60%/53.20% (first round/second round)
Lebed: 29.59%
Zyuganov: 23.22%/39.06%
Yavlinskii: 6.08%
Zhirinovskiy: 7.00%
Turnout: 71.99%/68.61% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 17.48%
Liberal Democratic Party of Russia: 17.48%
Trade Unions and Industrialists of Russia -- Union of Labor: 9.60%
Our Home Is Russia: 6.88%
Yabloko: 5.49%
Women of Russia: 4.21%
Russia's Democratic Choice: 3.99%
Communists -- Workers' Russia: 3.42%
Party of Workers' Self-Government: 3.14%
Congress of Russian Communities: 3.04%
In single-member districts: 1 Communist Party of the Russian Federation, 1 independent
Turnout: 67.00% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 62.18% "No" -- 37.82%

1993 Parliamentary Elections

Liberal Democratic Party of Russia: 28.24%
Russia's Choice: 16.60%
Women of Russia: 8.85%
Communist Party of the Russian Federation: 8.67%
Party of Russian Unity and Concord: 7.16%
Agrarian Party of Russia: 6.82%
Yabloko: 6.82%
Democratic Party of Russia: 5.07%
In single-mandate districts: 1 Russia's Choice, 1 independent
Turnout: 57.78% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 53.67%
Ryzhkov: 19.83%
Zhirinovskiy: 7.18%
Tuleev: 7.12%
Makashov: 4.23%
Bakatin: 2.97%
Turnout: 78.03% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections]*, Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown]*, Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995]*, Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii [Governors of Russia]*, Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.

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TABLE OF CONTENTS

Breaking News

A Survey of Key Events in Russia's Regions

Dispatches from the Field

Dagestan: Russia's Soft Underbelly

Ethnic Conflict and Regional Separatism

Dagestan Forms Armed Militia Against Chechen Attacks

Patterns of Regional Development

Bryansk Governor Says Local Economy Is Growing, Blasts Critics

Birobidzhan Police Face Competition

Communist, Zhirinovsky Party Leaders Battle in Novosibirsk

Business Briefs

A Weekly Summary of Key Deals in the Regions

Economic Issues

Rostselmash Struggles to Survive

Tatarstan's Oil Has Already Been Divided Up

Sugar Plant Accused of Tax Evasion in Nizhnii Novgorod

Office Rent Reform in St. Petersburg

Best Brokerage Firm Awarded \$200,000 in Yekaterinburg

Foreign Ties

Tver Beer in Germany

South Korean Consumer Electronics To Be Produced in Novosibirsk

Regional Profile: Kirov Oblast

BREAKING NEWS

4 November

TULEEV SEEKS MORE POWER. Kemerovo Oblast Governor Aman Tuleev wants the federal government to transfer more power to him to manage the region's coal industry.

Moreover, he is seeking radical changes in the government's policy. He wants the state to stop closing mines in Kemerovo until it has provided financing for all the projects it has approved. He also backs the transfer of authority over coal mining from Moscow to Kemerovo, including the handover of controlling stakes in the coal mining companies. Additionally, he wants the federal government to allow all federal funds set aside for supporting the coal industry to be distributed by the oblast government. He believes that the coal should be mined in response to state orders with the federal budget covering all expenses and losses. His demands are unlikely to be met, but, if implemented, would constitute a major devolution of power from Moscow to the regions. (*Segodnya*, 5 November)

TITOV AS THE NEXT PRIME MINISTER? The Samara newspaper *Delo* (<http://www.info.samara.ru/delo/>) ran a large article speculating whether Samara Governor Konstantin Titov would be likely to succeed Prime Minister Viktor Chernomyrdin. The issue arose because the State Duma was then threatening a vote of no confidence in the government. Most of the leading local figures polled said that even if Titov was offered the post, he would turn it down since it would be unlikely to advance his career and would not serve the interests of the oblast. Zakhar Factory Director Vladimir Zakharchenko asserted that Titov would make a better PM than Chernomyrdin because he has a better sense of what is happening at the grassroots level.

5 November

CHECHENS CRITICIZE BEREZOVSKII SACKING. Acting Chechen President Vakha Arsanov described President Boris Yeltsin's decision to fire Deputy Security Council Secretary Boris Berezovskii as a "mistake." During his tenure in office, Berezovskii was one of the few Russian officials who had conducted negotiations with Chechen authorities about restoring the Chechen economy. He also played a key role in negotiating the transport of Caspian oil across Chechen territory, was crucial in winning the release of numerous hostages held in Chechnya, and helped write the peace treaty signed by Yeltsin and Chechen President Aslan Maskhadov on 12 May. Berezovskii lost his job because of his conflict with first deputy prime ministers Anatolii Chubais and Boris Nemtsov, not as a result of his Chechen activities. However, his departure is unlikely to have much impact on Chechen-Russian relations overall. (*Kommersant-Daily*, 6 November)

TULA GOVERNOR BUILDS DEBT. Since he was elected seven months ago, Tula Governor Vasilii Starodubtsev, one of the 1991 coupmakers, has added 400 billion rubles (\$68 million) to the oblast's existing 60 billion ruble (\$10 million) debt. In a recent deal, he has even mortgaged five local administration buildings, including the Tula White House, to the Savings Bank. The governor has used the money to help the agrarian sector and pay off debts to civil servants. The overall oblast budget is just over 700 billion rubles (\$120 million). (*Kommersant-Daily*, 6 November)

MOSCOW OBLAST DUMA REJECTS IMMUNITY. Members of the Moscow Oblast Duma voted to drop their deputies' immunity from legal prosecution. The deputies decided to

remove their protection to prevent criminals from trying to win elective office in order to avoid being prosecuted for crimes they had committed earlier. Elections for the regional legislature will be held in December. (*Segodnya*, 6 November)

6 November

VOLOGDA PRIVATIZATION CHIEF MAKES BIG MONEY. The head of the Vologda Privatization Fund, Mikhail Beznoshchenko earned nearly 400 million rubles (\$68,000) for four months of work at a time when Russia's average monthly salary is slightly over a million rubles (\$170). His predecessor earned just over 21 million rubles (\$3500) a month. The abuses came because the privatization agency is completely independent of the oblast authorities despite the highly charged political nature of the privatization process, *Izvestiya* reported 6 November. The chairman of the agency can set his own salary. The agency retains control of 4% of the proceeds from its sales of state property and then uses the money for its own investments. A spokesman from the Russian Federal Property Fund noted that the Vologda agency is one of the few not subordinate to federal authorities.

7 November

ANOTHER EXPLOSION ROCKS PRIMORSKII KRAI. A huge explosion tore through a supply dump of the Pacific Ocean fleet near Vladivostok, but did not kill anyone. The accidental blast was the fourth such occurrence since 1993. One of the theories about the cause of the explosion suggests the self-detonation of a mine that had been stored at the site 10-15 years. (*Kommersant-Daily*, 11 November)

9 November

CHECHEN PIPELINE COMES ON LINE. The Azerbaijan International Operating Company began pumping oil through the Chechen leg of the Baku-Novorossiisk pipeline. This year the pipeline will carry 150,000 tons of early Azerbaijani oil and next year it will carry 5 million tons. (*Segodnya*, 11 November)

10 November

PRELIMINARY HARVEST RESULTS UP. The Ministry of Agriculture announced that Russia harvested 84.3 million tons of grain in 1997 according to preliminary figures. The result is much higher than the bad years of 1995 and 1996 (63.5 and 69.3 million tons respectively) and the good year of 1994, when the take was 81.5 million tons. Good weather was the main factor for the success. (*Finansovye izvestiya*, 11 November)

DISPATCHES FROM THE FIELD

DAGESTAN: RUSSIA'S SOFT UNDERBELLY

By Dr. Mikhail Alexseev,
Kennan Institute for Advanced Russian Studies and University of Washington

MAKHACHKALA-MOSCOW-WASHINGTON - Arriving from Moscow to Makhachkala, the capital of Dagestan, one is immediately struck by the distinct sense of non-Russianness. When the plane lands at the Makhachkala airport, the visitor sees hazy green, gently cascading mountains on one side, and a newly built mosque with a shiny roof on the other. In the distance, behind the mosque, the sun-swept sky blends with the Caspian Sea. Central Russia, with its October rain, mud-filled streets and ubiquitous onion-shaped domes might as well be on a different planet.

The massive housing projects of the Khrushchev and Brezhnev eras left only small dents in Makhachkala and Kaspiysk, and so a hundred or so private houses built by the "new Dagestanis" change the scenery much more dramatically than private construction developments in Moscow or Tver. And whereas the upscale houses built by the "new Russians" are more like the ones to be found in New Jersey or Surrey, the "new Dagestani" houses are more like the ones to be found in Cairo or Teheran. Many, for example, have mini-minarets and some have crescents plus stars on top of that. Also many houses can be described as "terraced," with lower floors larger than upper floors; some houses have round domes and the doors almost invariably are arch-shaped, while the rain gutters and water spouts are often made of copper (or shiny tin) and very ornate, with Oriental motifs.

Getting gasoline is also very different from central Russia. The options are either going to a new gas station that looks like a mini-mosque with a satellite dish antenna on the roof and signs ("diesel," "petrol") in English, or buying a ten-liter jar of home-made gasoline from a roadside vendor - both options symbolic of the new Great Game for the Caspian oil unfolding around the Caucasus and in Dagestan.

But with about a dozen major ethnic groups, none of which commands a majority of the local population, the name of the game in Dagestan - be it the Caspian oil, local politics, or economic reforms - is ethnic balancing. Here the debate about post-Soviet change is not so much about socialism versus capitalism, but about how best to preserve a system of power sharing and distribution of the federal and local funds that would keep all major ethnic populations (Avars, Kumyks, Laks, Dargins, Lezghins, Tabassarans, Russians, Azeris, and Chechens) happy.

The current system of ethnic balances - from land distribution to rotating the entire cabinet after each new ministerial appointment - has been left mostly intact since the old Soviet days. Many believe that this setup helped Dagestan remain peaceful against all odds after the Soviet collapse. As a result, the Leninist legacy remains intact and Communist candidate Gennadii Zyuganov received more votes than President Boris Yeltsin in Russia's 1996 presidential election.

Like Lenin, Westernization is welcome. It, too, is seen as helping this ethnic balancing system, even though official and ordinary Dagestanis often perceive foreigners as "spies" or "crooks." Foreign investment may replace the federal revenues that have fed Dagestani elites and are now reduced--due, in most part, to Russia's nonpayments crisis and Moscow's pursuit of macroeconomic discipline. Going out on the Caspian shore in downtown Makhachkala, one sees a large construction project to the city's north - the local port is being expanded. Locals

hope that the Italians will soon provide substantial investment and that the port construction project will be the source of new local jobs.

And so in the center of Makhachkala one of the world's largest bronze statues of Lenin peacefully faces one of the world's largest neon signs advertising Samsung electronics, with dozens of local residents rollerblading between the two in the evenings and on the weekends.

Another striking feature of the ethnic balancing for anyone who has traveled across the Caucasus is that most locals speak Russian with one another most of the time. This, however, is as much testimony to Russia's past expansion in the area, as it is a way for Dagestan's numerous ethnic groups to communicate with one another. Were this lingua franca Chinese, the local residents would use it just as much-without getting any more Sinoized than they are now Russified.

But the ethnic balancing system is as precarious as it is pervasive. I cannot remember seeing such a high concentration of black beret police and paratroopers with submachine guns at the ready, as I saw in Makhachkala. Nor can I remember seeing so many burly young males roaming the streets in small groups without any visible purpose. As my host, Dr. Enver Kisriev of the Dagestani branch of the Russian Academy of Sciences told me, youth unemployment in the area is over 80 percent. Enver also said he felt I was safe in the street of Makhachkala due to my dark hair, brown eyes and mustache: "As long as you don't look like a visitor, a 'fly-in' (zaletniy), they won't trouble you."

In Makhachkala, the proximity to Chechnya is clearly felt. It is not uncommon to see cars with Chechen license plates and police roadblocks where these cars are often stopped. In kiosks and at newspaper stands, one can buy amateur videotapes of the war in Chechnya made mostly by the Chechen fighters. They are the local blockbuster hits that give people in Dagestan a very different perception of the Chechen war than if they watched Russian or Western television. The Chechen fighters in these films are patriotic Rambos knocking out the slow-moving, slow-thinking, and pervasively corrupt Russian military monster.

I found the Makhachkala version of Islamization rather moderate - whereas several new mosques have been built, citizens are now allowed to make the hajj, and men believe Princess Diana was evil and deserved to die, I have not seen women with paranja-covered faces, most men don't have beards, Chechen-style public executions are abhorred, and alcoholic beverages are readily available at restaurants, stores, and street kiosks. As Enver confided, "Our mullahs understand that if they forbid alcohol, Dagestan will cease being Muslim."

Yet, Enver said that he now knows what it's like to live through a civil war: fighting and the threat of violence may go on in many places yet still not affect most people's lives. According to Enver, the sounds of submachine gun fire often wake him up at night in his Makhachkala apartment. But since the shots don't hit the apartment building, life can go on as usual in the morning. Nevertheless, in the last year or so, three of Enver's best friends were murdered for no apparent reason, except that they tried to start a business.

Under these circumstances, private car owners offering rides into town from the airport are viewed as buddies rather than as potential extortionists, as in Moscow. And driving sixty miles an hour with seatbelts that have no buckles along narrow, potholed roads with no lanes somehow feels less threatening than a black beret trooper with a dangling submachine gun

suddenly stopping the car and examining every page in your passport for what seems like eternity. The armed gangs supporting various business and ethnic groups are widely feared.

Dagestan does, indeed, feel like Russia's soft underbelly. In the coming months, the delicate ethnic balancing will be put to tougher tests than heretofore. The mandate of the current chairman of the State Council expires next year and the incumbent, Magomedali Magomedov (a Dargin), has expressed no desire to give up power. Despite this, the distinguished leader of the Avar movement and the CEO of Dagestan State Oil Company Gadzhi Makhachev wants to become the republic's new president although there are at least 10 Avars, some with better chances, considering competing against him. Moreover, Moscow is threatening to cut federal subsidies and accuses the local nationalist leaders of harboring criminals.

The coming political struggle threatens to unravel the delicate ethnic balances, while also tempting the leaders of the nationalist movements to revive interethnic cohesion by making common cause against Moscow. This is the time for the Kremlin to be extremely sensitive and not to test the deterrence power of the black berets brandishing submachine guns in Makhachkala.

Mikhail Alexeev visited Makhachkala 14-15 October 1997. His trip was made possible by a travel grant from the International Research and Exchanges Board (IREX), Washington, D.C.

ETHNIC CONFLICT AND REGIONAL SEPARATISM

DAGESTAN FORMS ARMED MILITIA AGAINST CHECHEN ATTACKS. In response to the escalating situation on the administrative border with Chechnya, the government of Dagestan decided to take a number of concrete measures. In the last several weeks there has been an escalation of violence, exemplified by terrorist attacks by Chechen fighters crossing the border. For example, eight police officers, four villagers and the deputy minister of agriculture have been kidnapped, "shuttle-trader" buses have been robbed, local government officials murdered, and terrorist acts were staged against federal military forces. Additionally, theft of cattle and automobiles has been occurring on a large scale. In terms of insuring security, federal forces have proven useless: Dagestanis can cite examples when Russian soldiers failed to intervene during armed attacks on residents.

Outraged by the mounting violence and lawlessness, residents of the frontier raions, especially in the city of Khasavyurt, have been staging mass protests demanding the distribution of weapons and the creation of a self-defense militia. Some Khasavyurt residents even tried spontaneously to organize grassroots patrols of the border, Radio Rossii reported on 8 November. Additionally, it was rumored that, in response to popular demands, the government had decided to dig a trench along the border with Chechnya, but that rumor was quickly denied.

There are numerous explanations for the frequency and audacity of the recent attacks. Sultan Gantilov, the acting head of the Dagestani police forces, sought a rationale in the imperfections of legislation governing Dagestan's administrative border with Chechnya. Unlike the federal border guards in charge of Russia's national borders, Dagestan's police officers cannot legally shoot to kill trespassers on the administrative border with Chechnya. Also,

Chechen police and official Grozny have proven uncooperative. Indeed, Chechen authorities protest loudly when Chechen minorities suffer in Dagestan, but fall silent whenever Chechen bandits attack Dagestanis. Moreover, Chechnya has imposed a fee for crossing the border. Finally, Dagestani police forces are currently too busy keeping track of the human and commercial traffic going across the administrative border, and have little time left for guarding it against terrorists.

Meeting on 10 November the republic's Security Council decided to take additional measures to insure Dagestan's security. The proposed measures include: strengthening the police forces, creating an armed citizen militia, recruiting military reserve officers on a contract basis, strengthening public relations work, and involving local banks and companies in financing the self-defense effort. Local governments and military draft commissariats will be tasked with organizing the self-defense militia and equipping it with weapons and ammunition. After that, the new troops will be transferred under the command of the Dagestani Ministry of the Interior, which also supervises the republic's police forces (RIA Novosti, 12 November).

The federal government has so far been ambivalent about the situation in Dagestan. On the one hand, Deputy Prime Minister in charge of ethnic issues Ramazan Abdulatipov has proposed imposing a "border control regime" on the Dagestani-Chechnya frontier. However, the Chechen minority in Dagestan is opposed to that idea, demanding that the border remain open or even dismantled. Presidential advisor on national policy Emil Payin speculated that the recent attacks are attempts by Chechnya to assert its independence from Russia and to make Russia recognize this fact (Radio Mayak, 7 November). Finally, Russian Minister of the Interior Anatolii Kulikov stated in an interview to NTV (8 November) that in his opinion Dagestani police should be able to handle the situation, and no plans have been made to supplement their forces with reinforcements from Russia.--Nabi Abdullaev in Dagestan and Natan Shklyar

PATTERNS OF REGIONAL DEVELOPMENT

BRYANSK GOVERNOR SAYS LOCAL ECONOMY IS GROWING, BLASTS CRITICS

By Alex Levinsky, Deputy Editor-in-Chief, *Bryanskoye Vremya*

BRYANSK -- In an exclusive interview, Bryansk Governor Yurii Lodkin claimed that the regional economy had grown enough to speak about stabilization during his tenure and that of the Communist-dominated regional Duma. He was elected governor on 8 December 1996. Lodkin rejected any suggestion that "something was rotten" in his "kingdom."

Lodkin brushed aside recent political scandals in the region when his ex-friend, the editor of a local paper, had been fired after publishing some stories critical of the new administration (See *IEWS Russian Regional Report*, 16 October). He explained that some of his former supporters "hadn't received the civil service positions that they had been promised." He also asserted that his adversaries' predictions that he "would not be able to work with the reformist Moscow government," that he wouldn't "be able to stabilize the economy" and that his

"team would be unprofessional" had proven unfounded and that his "enemies were angry with his success."

Recently released figures suggest that the region's output has remained level even though unemployment has dropped 12%. Lodkin, however, rejected the suggestion that under his rule a larger number of workers are producing the same amount of goods. Instead, he stressed that his main accomplishment had been reducing poverty in the oblast. He claimed that the number of people living below the minimum subsistence level had dropped by 20%.

Real income per capita was 8% less this year than it was last year, meaning that productivity in the region has been falling. At the same time, the difference in income between the richest 10% of the region's inhabitants and the poorest 10% had grown wider. Whereas in the past, the richest had earned seven times more than the poorest, the ratio has now reached almost nine.

Lodkin argued that the growing spread is the result of a recovering economy in which people with medium incomes become richer. He asserted that, in contrast to most Russian regions, the amount of taxes collected in Bryansk oblast had grown by 12 per cent in recent months. When it was pointed out that inflation had grown by 11 per cent during the same period, "devouring" the tax growth, Mr. Lodkin commented that "all statistics are relative".

He blamed his predecessor Alexander Semernev, a Yeltsin appointee, for the region's current problems, though Lodkin admitted that "a flourishing region" could not exist "in a stagnating country." Lodkin also blamed some of the region's troubles on large business managers who rejected his devotion to social justice and who would "do anything to overthrow him." As an example, Mr. Lodkin cited an unnamed member of the board of directors of the "Yukos" oil company's local branch who was angry with the oblast administration's decision to postpone an auction at which profitable gas stations should have been lent to the "right" people. The governor expressed the opinion that such people subsidize his enemies to damage his reputation and criticize his economic initiatives.

BIROBIDZHAN POLICE FACE COMPETITION. The Birobidzhan City Duma's 29 October decision to create a municipal law-enforcement agency, outside the purview of the Russian Interior Ministry, caused mixed feelings among the regular Birobidzhan (Jewish Autonomous Oblast) police officers who are subordinate to the Moscow ministry. Commenting on the decision, Deputy Chairman of the City Duma Semen Natapov told the "ZhiraF" news agency that one of the reasons for the creation of the new police was the duma's lack of control over the existing police forces, which are financed from the local budget. In recent weeks, the police and the municipal administration have disagreed over that very issue. President Yeltsin's decree on the creation of municipal police forces as a part of local self-government could not have been more timely. According to the duma's decision, the 800 million rubles (\$140,000) annually channeled from the oblast budget toward the regular police forces, will now finance the creation of the municipal force. At first, it will be limited to a staff of 20, all of whom will have prior military or police experience, and its duties will not include processing criminal cases. Instead, the force will be charged with insuring public order on the city streets.--Sergei Shilo in Vladivostok

LOCAL COMMUNIST, ZHIRINOVSKY PARTY LEADERS GO HEAD TO HEAD IN NOVOSIBIRSK. Leaders of the Novosibirsk branches of Vladimir Zhirinovskiy's Liberal Democratic Party of Russia (LDPR) and the Communist Party of the Russian Federation (KPRF) will cross swords in Precinct #23 during the December regional legislative elections. The precinct is known in the region's political circles as heavily Communist, and is currently represented in the oblast council by Viktor Kuznetsov, the first secretary of the KPRF oblast committee. He will spar with Evgenii Loginov, the coordinator of the local LDPR branch and a former State Duma deputy. Loginov says he sees no opposition in the precinct, aside from the Communists. Observers note that this case exemplifies the end of the alliance between the KPRF and LDPR, which had seemed so solid during the recent city council elections. (For discussions of the Novosibirsk city council, see *Russian Regional Report*, 15 January) Meanwhile, local pundits are ready for an interesting battle in Precinct #23.--Konstantin Kanterov in Novosibirsk

BUSINESS BRIEFS

-- The **ULYANOVSK** firm **AVIASTAR** announced that **ROLLS ROYCE** will supply 26 RB211 535E4 engines to build 13 Tu-204-120 aircraft. The plane was first tested in 1991 with Russian engines, but was deemed unreliable and the firm did not go ahead with construction plans then. Now there appear to be no customers among Russian carriers for the aircraft. Aeroflot and Transaero have both ordered similar models from Boeing. (*Kommersant-Daily*, 5 November)

-- **BASHKORTOSTAN'S** oil output has dropped from 40 million tons in the 1970s to about 16 million tons today. However, **BASHNEFT** officials believe there may be up to 2 billion tons located at a depth of 4.5 kilometers. During its 65 years of operation, Bashneft has recovered about 1.5 billion tons. Currently oil in the republic is found at a depth of 2.5-2.7 km. If the deeper oil actually exists, it will be twice as expensive to extract as the crude closer to the surface and it is not clear that such operations would be profitable under current conditions. (*Kommersant-Daily*, 6 November)

-- **ALTAI KRAI** has won a \$3 billion credit from Germany's **WAQTI INTERCONSULTING CO.** and the US's **EZRA HOLDING CO.** to build gas pipelines in the region. The credit is offered for a 25-year term with 6.5% annual interest. The funds will cover another pipeline from Novosibirsk to Barnaul, several lines to other cities in the krai, and reconstructing eight existing power stations. (*Segodnya*, 5 November)

-- The Frankfurt investment company **ST. PETERSBURG IMMOBILIEN UND BETEILIGUNGS** is raising money for a planned 125 million mark investment to build a 48,000 sq. m. office and trade complex on Nevskii Prospect. Construction is set to begin in the summer of 1998. The firm hopes to make 30 million marks a year in rents. (*Ekspert*, 10 November)

-- **TATARSTAN'S YELABUGA AUTOMOBILE FACTORY-GENERAL MOTORS** joint venture has only assembled 1,500 of the planned 5,000 Chevrolet Blazers planned for this year. The Russian government had promised to give the plant the tax revenue received from the sale of 3.5 million tons of oil abroad. However, the plant has not received the approximately 260 billion rubles due it and thus cannot afford to buy more Blazer kits to assemble. (*Ekspert*, 10 November)

-- French carmaker **RENAULT** and Moscow's **MOSKVICH** signed a \$350 joint venture accord on 1 November to produce up to 120,000 of Renault's Megane Classic cars at the Moskvich plant. The two firms will each hold an equal stake, although the French will later be allowed to acquire a majority of the shares. The cars will cost \$11,000 each and the producers hope to grab an 8% to 10% market share. Moskvich has produced 10,000 cars this year, 40% of which remain unsold. Last year the plant made 3,000 cars despite a capacity of 160,000 vehicles. The plant has begun to turn around since Mayor Yuri Luzhkov assumed responsibility for its \$300 million debts in exchange for a 60% stake. Analysts fear a bleak fate for the project because of Moskvich's poor management and relatively undeveloped distribution network. (*Moscow Times*, 4 November)

-- **NIZHNI NOVGOROD'S GORKII AUTOMOBILE PLANT** produced its first truck with an engine designed by Austria's Steyer. The plant plans to make 500 of the GAZel trucks by the end of the year. (*Odnioi strokoi*, <http://www.inforis.ru/n-nov/info>, 6 November)

-- The **NIZHNI NOVGOROD** flour grinding plant will begin using electrical equipment from the Swiss Buler in December. The Swiss will help their Russian partners profitably produce and sell pasta and breakfast cereal. (*Odnioi strokoi*, <http://www.inforis.ru/n-nov/info>, 5 November)

-- The South Korean firm **HYUNDAI** is considering commissioning the repair of old ships and the construction of new ones at the **ZVEZDA** plant in Bolshoi Kamen, **PRIMORSKII KRAI**, according to First Deputy Governor Konstantin Tolstoshein. A Hyundai delegation visited the plant on 10 November. The plant is suffering a severe financial crisis since the federal government owes it 63 billion rubles (\$11 million) for defense orders it has completed. (RIA Novosti, <http://ria-novosti.russianet.ru/ruproducts/>, 10 November)

-- **AEROFLOT** has begun biweekly service between **VLADIVOSTOK** and Singapore. The airline has 115 airplanes and serves 137 foreign and 12 Russian cities. (RIA Novosti, <http://ria-novosti.russianet.ru/ruproducts/>, 10 November)

ECONOMIC ISSUES

ROSTSELMASH STRUGGLES TO SURVIVE

by Mikhail Denisov, Radio 103 (Rostov-on-Don)

The crisis is deepening at Rostselmash, once Russia's leading producer of agricultural machinery. Its main conveyor belt is still idle, while its employees have not been paid since the beginning of the year. The reason for the most recent shutdown was the refusal by its main supplier, the Taganrog Combine Plant (formerly the plant's subsidiary), to supply Rostselmash with key parts. Facing a deep economic crisis of its own, the Taganrog Combine Plant decided instead to produce spare parts for passenger cars in cooperation with South Korean partners.

The roots of Rostselmash's problems, however, lie in the very inflexible tax system, the permanent scarcity of liquid funds, and, most importantly, the dire condition of the agricultural sector, where most of the plant's customers work.

During a special hearing held at the factory, members of the State Duma considered the plant's overall potential and various ways to address its problems. The hearings lasted two days and concluded that the plant's problems go back to the Soviet industrial strategy of building centrally-controlled giant enterprises that could be quickly and efficiently converted from peacetime production to massive military production. As soon as the command economy and full government support of the industry collapsed, Rostselmash was left on its own, and consequently imploded under its own weight, like a living organism whose skeleton was suddenly removed.

The basic conclusion of the meetings was that Rostselmash still lacks a coherent strategy that would address the problem. Return to the old style of operations is unthinkable: the state, in which Rostselmash successfully functioned for decades, is long gone. At the same time, the idea of breaking Rostselmash into smaller parts is also considered unviable. Lately, many examples have been cited of industrial giants successfully converting their production into different areas of activity. However, such a solution would require a large government contract and comparable investments that nobody is prepared to make. General Director Vladimir Trinev refuses to discuss the possibility of bankruptcy altogether.

Chairman of the Duma Committee on Industry, Transport, Energy and Construction Vladimir Gusev said during the hearings that "we shall fight for the preservation of Rostselmash" and that "all efforts will be made to protect its employees." The tragicomedy of the current situation is that layoffs are not possible either since the plant does not have enough money for severance pay.

The participants in the hearings decided to ask the government to develop and adopt a federal program on an overall industrial strategy for Russia. Also, it was stressed that the Land Code must be adopted as soon as possible. Without its provisions for private ownership of land, one cannot expect farmers to invest in expensive agricultural machinery. Another urgent measure recommended was securing a favorable loan, ideally with zero interest payments, for Rostselmash. However, according to Rostov Deputy Governor Fedor Shvalev, even if the plant does get the 1 trillion rubles (\$170 million) that it has requested, it will owe the federal government 1.5 trillion rubles in taxes after only one year.

Yet, it would be incorrect to say that the company's management makes no effort toward salvaging the enterprise. Rostselmash has plenty of orders lined up for next year, even though most of them will be paid for in barter, not cash. Money raised from payments for this year's production was used to pay July wages. Another way to deal with the current problems has been renting out grain harvesting machines. Twenty combines were rented out to farming

enterprises during the harvest season by the "Marketing-Service" company, which borrowed money for this project, promising to pay it back in three years from the harvest proceeds. Sometimes, help comes from odd sources. In place of the Taganrog plant, Rostselmash found a partner in Belarus's Gomselmash, with much assistance from the controversial Belorussian president Aleksandr Lukashenka. Yet, it is still too early to tell whether these attempts to breathe life into the dying colossus will prove successful.

TATARSTAN'S OIL HAS ALREADY BEEN DIVIDED UP

by Prof. Midkhat Faroukshine, Department of Political Science, Kazan State University

As *Vechernyaya Kazan* (5 November) sarcastically reported, the next "project of the century"--a new oil-refinery--has been launched in Tatarstan (See *IEWS Russian Regional Report*, 30 October). With President Mintimer Shaimiev himself at the head of the delegation, a number of high-placed Kazan officials visited the construction site in Nizhnekamsk. Why such hype all of the sudden? After all, the idea has been around for a while, but things never moved along until now. "Does it really make sense," the newspaper asks, "to build another super-giant factory with Tatarstan's scarce resources, when the existing key enterprises are barely making it?"

The answer might lie in the composition of the future plant's Board of Directors. It includes some well known figures, such as Rinat Galeev, general director of Tatneft, and Nikolai Lemaev, the former general director of Nizhnekamskneftekhim, who was also a former Soviet minister and now serves as an advisor to President Shaimiev, while residing in Moscow. Some less well-known personalities are also on the Board. Who are they? One of them is a certain Mr. Shagabutdinov, the head of an oil-chemical investment company "TAIF," close to the President and actively involved in lobbying. Even though the company has little experience with oil, it has been given some of the most desirable real estate in the petrochemical industry. Also, a certain R. Shaimiev, director of "NIRA-export" has joined the new Board.

Local wits have deciphered the "NIRA" abbreviation, given that one of President Shaimiev's sons is named Airat, and the other son is called Radik. The remaining "NI" coincides with the initials of the wife of one of the sons. If the above is true, then it is clear why President Shaimiev has been so insistent that nothing will stop completion of the refinery on time, by the year 2000, and that he will personally make sure that it happens.

SUGAR PLANT ACCUSED OF TAX EVASION IN NIZHNI NOVGOROD. Foreign partners supplying the sugar-processing plant in the city of Sergach (Nizhnii Novgorod Oblast) with raw sugar are prepared to pull out of their contract with the firm, due to its conflict with the Nizhnii Novgorod regional branch of the Federal Security Service (FSB).

The story began on 12 July in Sergach, when 214 train cars of raw sugar arrived from Brazil. The delivery was arranged by the Moscow firm Vita Sugar which imported the raw material through Finland. Of the original 214 cars, 207 were unloaded and the raw sugar sent to be processed. The regional FSB confiscated the remaining seven claiming (based on a laboratory report) that they contained processed (not raw) sugar, and that the firm was planning to sell it without paying customs duties. Consequently, a contraband criminal case was filed.

The plant's own lab claimed that the sugar in the seven questionable cars was indeed raw and has called for an independent analysis. Such a procedure would require opening the detained cars, currently in FSB custody. The FSB, however, refuses to do so as long as its investigation continues. As a result, there is no progress in the case.

Meanwhile, the plant is losing money in fines over the idle cars. The foreign suppliers, scared by the FSB's involvement, have refused to send the next shipment of raw sugar. Their actions are understandable: nobody wants to lose money because of the chaotic conditions in Russia. Additionally, over half the population in Sergach is employed at the plant. Closing the plant would cost 1,000 people their jobs. Despite the potential consequences, the oblast administration has ignored the conflict.--Yurii Rodygin in Nizhnii Novgorod

OFFICE RENT REFORM IN ST. PETERSBURG. Chairman of the St. Petersburg City Property Committee (KUGI) German Greff announced a new system of rent calculation for municipal real estate beginning this week, *Kommersant-Daily* reported 6 November. The new method is based on an appraisal of the city's secondary real estate market conducted over the last two years by the KUGI specialists, with the help of some Moscow experts and the local realtor association. With this data in hand, one can use special formulas to figure out rent rates for any building owned by the city.

Even though the new system has not been approved by the governor, the almost two-fold hike in rent rates will certainly happen. The new "market" method will most likely make many small firms go bankrupt. According to German Greff, their spots will be taken by other firms, capable of operating in real market conditions. Today KUGI is considering 1,500 applications from firms willing to pay the real market price for a square meter of centrally-located real estate, instead of the \$1 per square meter nominal price currently in force. Today, the average office rent rate in St. Petersburg is \$300-400 per square meter. It is presumed that while the new method will raise prices in some areas, it will actually lower them in other areas, where they have been artificially high. For example, banks today pay \$800-900 per square meter, but will have to pay \$200 less under the new method, and retail firms will be paying \$250 less than their current average rate of \$600.

Until now, many firms, especially in the service sector, have been renting office space from the city for virtually nothing, the newspaper noted. For example, a square meter on Vasilevsky island could cost as little as 80 cents, and some companies pay just a little over that amount for their premium Nevsky Prospect office space. Moreover, prices for their goods and services remain on the same level with those of their competitors who have to rent office space more expensively on the secondary market. Small businesses will be paying relatively low rates, according to KUGI experts, about \$20-25 per square meter. The new method will be implemented in several stages: all new leases will be signed under the market method as soon as the new regulation takes force, while the old leases will be adjusted during 1998.--Valeri Ianovski in St. Petersburg

BEST BROKERAGE FIRM AWARDED \$200,000 IN YEKATERINBURG. Several months ago the US-Russia Investment Fund and the Yekaterinburg bank Severnaya kazna launched a joint initiative to recognize the "Entrepreneur of the Year" and the "Company of the

Year." Over 150 small and medium enterprises, recipients of the fund's investments, participated in the contest.

Companies were judged on rates of profit growth, scope of activities, quality of administration, and degree of employee participation in management. In the Urals, the winner was a Yekaterinburg company "UTK-Brok-Invest," active in the securities market, and its director Konstantin Selyanin. Selyanin received a \$200,000 award toward the firm's further development and a certificate, which should help in making new business contacts both in Russia and abroad.--Dmitry Strovsky in Yekaterinburg

FOREIGN TIES

TVER BEER IN GERMANY. The Tver brewery Afanasy participated in the European food exhibition ANUGA-97 which took place in the German city of Cologne 11-16 October. German experts declared that the Tver beer was in compliance with Germany's strict 1516 beer purity law. These specialists believe that Afanasy can successfully compete with Carlsberg, Beck's, Holsten and other famous brands on the European market.--Boris Goubman in Tver

SOUTH KOREAN CONSUMER ELECTRONICS TO BE PRODUCED IN NOVOSIBIRSK. The Novosibirsk-based Sibtekh production corporation, formerly known as "Kometa," signed a contract with the South Korean firm LG to produce consumer electronics in the city. During the first stage, the firm will assemble a trial run of 2,500 units of three models of color TV sets and two models of VCRs. LG will provide components. It is expected that the Novosibirsk-produced electronic goods will be 30% cheaper than comparable imported products. According to the oblast administration press service, the new enterprise will open up 3,500 new work spaces. South Korean engineers will be responsible for re-equipping production facilities and training personnel. Additionally, Novosibirsk banks provided \$200,000 financing for the first stage of the partnership. "Sibtekh" will be in charge of selling the finished electronic goods. The oblast administration press service further stated that the contract is worth \$5 million this year, and will be worth \$20 million next year.--Konstantin Kanterov in Novosibirsk

REGIONAL PROFILE: KIROV OBLAST

Governor: Vladimir Sergeenkov

Vladimir Sergeenkov was elected governor in the 20 October 1996 runoff, where he received slightly over 50% of the vote. In the election's first round, he came in first with about 40%, while his closest rival received about 30% of the vote and the third candidate, former Governor Vladimir Desyatnikov, had only 18%. In both rounds he was backed by the opposition National Patriotic Union of Russia (NPSR).

Sergeenkov was born in 1938. At the age of 22, he graduated from Perm State University's Law Department, after which he worked as a detective at the Mordovian republican procurator's office specializing in the theft of state property. His successes earned

him a promotion to full-time party functionary: he initially held the office of Komsomol and CPSU district secretary and then became second secretary of the Saransk city Communist Party committee in charge of industry, trade, and finance. In the early 1980s, he accused some of the republican leaders of corruption and abuse of office but was not supported in his claims by the Party Central Committee and was forced to resign and move back to his home town of Kirov, where he worked as a lecturer and researcher at the university.

In 1991 he became the rector of the Kirov Institute for Social and Economic Problems, simultaneously teaching at the Institute for Finance and Economy. In December 1993 he won a seat in the Federation Council, where he became a deputy chairman of the Committee on Economic Reform and Property. In December 1995, he won a State Duma seat from a Kirov single-member district, running as an independent candidate. In the Duma, he joined the People's Power deputy group, headed by former Soviet Prime Minister Nikolai Ryzhkov.

Other Local Leaders

Chairman of the Oblast Duma -- Mikhail Mikheev, elected in April 1996

Brief Overview

Kirov Oblast is located in the eastern part of the Eastern-European plain, half way between Moscow and the Ural Mountains. Due to a well developed system of rivers and canals, it has transport links to harbors in the Baltic, Black, White, Azov, and Caspian seas. The region shares borders with the republics of Udmurtiya, Marii El, Tatarstan, and Komi, as well as Perm, Vologda, Kostroma, Arkhangelsk and Nizhnii Novgorod oblasts. The oblast capital, Kirov (called Vyatka until 1934), was founded in 1374, and is located about 900 km northeast of Moscow.

Although in the past, the region was an agricultural area, it has now become a major industrial center. It is rich in mineral resources: ferrous and copper ores, oil, sands, and clays. It also houses the country's largest phosphorous field and peat reserves exceed 300 million tons. Half of the oblast territory is covered with woods, which makes Kirov Oblast the country's fourth largest timber cutting and fifth timber working region. Local industry specializes in machine building, ferrous and non-ferrous metallurgy, chemicals, microbiology, timber working, cellulose, consumer goods, and food production. Though the soil is generally poor, it produces fairly good harvests of grain, potatoes, vegetable, and flax.

Basic Facts

1995 Population (est.): 1,664,900 (1.11% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 0.83%

Agricultural production as percentage of all Russian production (1994): 1.31%

Average personal income index in July 1995: 75 (Russia as a whole = 100)

Price basket index in July 1995: 96 (Russia = 100)

Average back wages owed per person (September 1995): 34,600 rubles (Russian average = 37,100)

Urban population: 70.2% (Russia overall: 73.0%)

Student population (1993): 95 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 26.05%

Percent of population with higher education (1989 census): 7.9% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 33.9% (Russian average: 29.9%);

Agriculture: 16.5% (12.8%); Trade: 8.3% (9.1%); Culture: 11.6% (13.6%); Management: 2.2% (2.3%)

Number of telephones per 100 families (1993): in cities : 28.6 (Russian average: 41.5); in villages: 15.1 (17.2)

According to a 1995 survey by Bank Austria, the oblast is ranked 25th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 31.24%/50.70% (first round/second round)

Zyuganov: 28.96%/41.57%

Lebed: 13.70%

Yavlinskii: 12.15%

Zhirinovskiy: 8.62%

Turnout: 72.70%/69.86% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Liberal Democratic Party of Russia: 17.05%

Communist Party of the Russian Federation: 14.78%

Agrarian Party of Russia: 9.54%

Women of Russia: 7.75%

Communists -- Workers' Russia: 6.96%

Yabloko: 6.70%

Our Home Is Russia: 5.84%

Congress of Russian Communities: 3.38%

Party of Workers' Self-Government: 3.02%

In single-member districts: 1 Agrarian Party of Russia, 1 independent

Turnout: 68.82% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 49.48%

"No" -- 50.52%

1993 Parliamentary Elections

Liberal Democratic Party of Russia: 27.53%

Agrarian Party of Russia: 15.27%

Russia's Choice: 12.48%
Women of Russia: 9.96%
Communist Party of the Russian Federation: 8.74%
Yabloko: 7.54%
Party of Russian Unity and Concord: 5.34%
Democratic Party of Russia: 5.27%
In single-mandate districts: 1 Liberal Democratic Party of Russia, 1 independent
Turnout: 58.57% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 50.94%
Bakatin: 14.68%
Ryzhkov: 9.70%
Tuleev: 8.39%
Zhirinovskiy: 6.92%
Makashov: 2.99%
Turnout: 78.87% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections]*, Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown]*, Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995]*, Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii [Governors of Russia]*, Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.

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TABLE OF CONTENTS

Breaking News

A Survey of Key Events in Russia's Regions

Special Research Report

Will the Russian Federation Survive until 2010?

Patterns of Regional Development

Saratov's Ayatskov Signs Land Law

Criminals Competing for Seats in Novosibirsk Legislature

Supreme Court Rules Against Tver Impeachment Group

Bryansk's Two "Intelligentsias" Hold Separate Conventions

Center-Periphery Relations

Tatarstan's Sovereignty Drive Complicates Federal Transfers

Yeltsin, Rossel Battle over Czar's Remains in Yekaterinburg

Social Issues

Sverdlovsk Oblast Names Official Human Rights Defender

World Bank Program Works Well in Urals, Poorly in Upper Volga

Business Briefs

A Weekly Summary of Key Deals in the Regions

Economic Issues

Volgograd Bridge Could Stimulate Central Asia-Europe Trade

Number of Small Businesses Drops

Bryansk Ends Yukos' Regional Monopoly

Workers Sell Off Komsomolsk Oil Plant

Foreign Ties

Novgorod Hosts Conference on Attracting Foreign Investment

US Trade With Sverdlovsk Drops in 1997

Regional Profile: Kostroma Oblast

Advertisement

Conference on Investing in High-Tech in Russia

BREAKING NEWS

11 November

COURT RULES BORDER TAX LEGAL. The Constitutional Court ruled that Russia's border guards could charge a fee for all persons crossing the border, but that the State Duma would have to decide who would pay, how much, and when (*Rossiiskaya gazeta*, 18 November). Khabarovsk Krai Governor Viktor Ishaev had asked the court to reject the tax on the grounds that it would destroy the economy of his region where there is a high concentration of military enterprises. The border tax will make Russian goods less competitive on foreign markets. Many issues were left unresolved in the ruling, however, and the Court may return to it to revise its decision. (*Kommersant-Daily*, 12 November)

13 November

MOSCOW OBLAST GOVERNOR CALLS FOR WEAKENED

LEGISLATURE. Moscow Oblast Governor Anatolii Tyazhlov said that of the 50 deputies to be elected to the Moscow Oblast legislature on 14 December, only six should be full time employees. He cited Smolensk Oblast where six of the 46 deputies work on a full-time basis and the cost of financing the legislature is 2 billion rubles (\$340,000) a year as an example to be emulated. Currently all fifty Moscow Oblast deputies work on a full-time basis, costing the region 27 billion rubles a year (\$4.6 million). (RIA Novosti, <http://ria-novosti.russianet.ru/ruproducts/>) The question will be put to a vote on election day and will pass if 25% of the oblast's voters (not just those who participate in the election) approve. Members of the Moscow Oblast Duma protested the referendum to the Supreme Court, claiming that its approval would turn the legislature into a powerless body dependent on the governor. However, the Court ruled that the referendum should be held. (*Kommersant-Daily*, 13 and 14 November)

STAVROPOL SEEKS SPECIAL STATUS. Stavropol Krai Procurator Yurii Lushnikov called for the krai to be given special status in federal and regional legislation. The region, which has a 114 km border with Chechnya, has the highest number of refugees among Russia's 89 regions. The measures would allow the use of some prohibitions against refugees in Stavropol, incorporating local Cossacks into various forms of state employment and their arming, and central financing for local self-defense units. He also sought to improve the coordination among the North Caucasus regions to better prosecute the fight against crime. (RIA Novosti, <http://ria-novosti.russianet.ru/ruproducts/>) Deputy Prime Minister and Minister of Internal Affairs Anatolii Kulikov, however, rejected the suggestion of arming the population and forming self-defense units, claiming that it would "lead to civil war." (*Kommersant-Daily*, 14 November)

GREENPEACE DECLARES WAR ON LUKOIL IN SARATOV. Greenpeace announced that it was launching a campaign against LUKoil-PREM for drilling

exploratory bore holes on a nature reserve that is home to Europe's second largest population of great bustards (*drofy*). The bird is an endangered species. The company won a licence to drill from Saratov authorities in August 1996. Greenpeace says that the licence is illegal because no environmental impact report was prepared before the licence was granted. (*Kommersant-Daily*, 13 November, *Moscow Times*, 13 November)

GAZPROM, YAMALO-NENETS SIGN ACCORD. The Yamal-Nenets Autonomous Okrug and Gazprom signed an accord in which Gazprom will pay the okrug government 300 billion rubles (\$51 million) a month during 1998. In the previous 1995 agreement, the gas monopoly paid the okrug 180 billion rubles (\$31 million) a month. The okrug produces 90% of Russia's gas. The agreement also allows the okrug to sell 2.2 trillion rubles (\$375 million) worth of gas and oil on its own. (Radio Rossii, 13 November)

14 November

MORE CHARGES AGAINST ARTEM MAYOR. The Artem, Primorskii Krai, procurator filed an additional four charges against Mayor Aleksandr Terentev. The authorities claim that Terentev's firm Tekhnotsentr evaded 427 million rubles worth of taxes. Summing all the cases filed against him so far, Terentev owes the local budget 18 billion rubles (\$3 million), enough to pay out all employees dependent on the budget for three months. Terentev has also been accused of deceiving investors and slander. Nevertheless, he remains in his position as mayor and is running for a seat in the krai's дума. (*Segodnya*, 15 November)

15 November

PARTY OF POWER PREPARES FOR ELECTIONS. Prime Minister Viktor Chernomyrdin chaired a meeting of Our Home is Russia to help the organization prepare for pre-term Duma elections if there is a political crisis before the scheduled elections of December 1999. The organization claims 1880 branches across Russia and sponsors newspapers in each of Russia's 89 regions. The organization also boasts 38 governors on its political council and factions in 20 regional legislatures, a figure it hopes to increase to 30 by the end of the year. In Novgorod, Saratov, and the Jewish Autonomous Oblast both the governor and a majority of the members of the regional legislatures are members of the organization.

17 November

CHEREPKOV RESIGNS. Vladivostok Mayor Viktor Cherepkov followed through on his announced resignation last week by calling mayoral elections for 29 March 1998 (*Kommersant-Daily*, 18 November). He first announced that he would resign to write his memoirs in a live radio broadcast on 12 November. His announcement stirred widespread speculation that he would not follow through. The day after his announcement, his five deputies also resigned and sent a letter to the president. The letter blamed Vladivostok's problems on Governor Yevgenii Nazdratenko's krai administration, which they accused of turning the population against the federal leadership, harboring separatist

tendencies, trying to prevent Yeltsin from coming to agreement with China on border demarcation issues, misusing billions in state funds, and making the city ungovernable (*Vladivostok*, <http://vl.vladnews.ru/>, 14 November)

In calling the new elections, Cherepkov also announced a hunger strike that would end only when the krai officials he considers responsible for the region's ongoing crises and lawlessness are punished. In particular, he singled out Krai Procurator Valerii Vasilenko as guilty of corruption. He named 28-year-old Sergei Markelov as the acting mayor until the elections. Markelov was Cherepkov's former body guard, but became first deputy mayor on 14 November following the resignations of Cherepkov's assistants.

Cherepkov's bitter opponent Nazdratenko immediately rejected Cherepkov's accusations that he was responsible for the city's problems. Following the announcement of the mayor's hunger strike, the krai authorities announced that Vice Governor Konstantin Tolstoshein, who is in charge of the krai committee on extraordinary situations, would take over day-to-day control of the city. Tolstoshein had served as mayor when Nazdratenko threw Cherepkov out of office from 1994 until he was restored in 1996. (*Segodnya*, 18 November)

19 November

VOLOGDA GOVERNOR REASSERTS CONTROL OVER PROPERTY

FUND. After the report in *Izvestiya* revealing that the Vologda Property Fund's management had arrogated for themselves large salaries (See *IEWS Russian Regional Report*, 13 November), Vologda Governor Vyacheslav Pozgalev took personal responsibility for the Fund, the paper reported. He has fired the old director and replaced him with someone who is now receiving an appropriate salary. Additionally, the governor has asked the procurator to investigate whether there was any criminal wrong-doing.

PENZA GOVERNOR RESTORES CALM AT VENNER FACTORY.

Penza Governor Anatolii Kovlyagin personally intervened to restore order at the local venner factory. For more than two months the workers had been on strike demanding the payment of their back wages. The workers were organized under the independent trade union "Vozrozhdenie," while the local branch of the Federation of Independent Trade Unions was pushed to the side. The oblast authorities tried unsuccessfully to intimidate the workers, threatening a variety of punitive measures. On 1 November, the workers held a rally in Penza demanding the resignation of the governor and Chairman of the Penza Legislative Assembly Yurii Vechkasov. Governor Kovlyagin, sensing the danger of the situation in light of upcoming elections, personally intervened to remove the current director of the factory, Viktor Yurin, and replaced him with a representative of the workers' collective until the board of directors can name a permanent replacement. (*Izvestiya*, 19 November)

SPECIAL RESEARCH REPORT

WILL THE RUSSIAN FEDERATION SURVIVE UNTIL 2010?

by Jeffrey Hahn, Professor, Political Science Department, Villanova University

The Problem

One of the most important problems of Russian domestic politics today and for the foreseeable future is the question of Russia's federal relations. Nothing less than the future of the Russian political system depends on how relations with the regions evolve over the next ten to fifteen years. Failure to achieve a stable balance of power between the Center and the regions could lead, on the one hand, to the re-emergence of a highly centralized, authoritarian state, or, on the other, to the disintegration of the Federation into its component parts. While no one can predict with any certainty what federal relations will look like in Russia in the year 2010, it is possible to indicate the critical variables in determining whether one outcome or another is more likely.

Centrifugal and Centripetal Forces at Work in Russia

What follows is a list of factors at work in Russia today that may contribute either to greater decentralization or centralization. These factors are related to five different dimensions of the larger problem. For each dimension, I indicate what I think are the most important centrifugal and centripetal forces (i.e. those forces pulling the federation apart and those pushing for greater centralization) at work. The list is in no particular order and is by no means exclusive, but attempts to identify in a preliminary way what will determine the outcome of regional relations in Russia ten to fifteen years from now.

1. The Constitutional Dimension

The Russian Constitution of 1993 creates the legal basis for a federation. It does so by limiting and defining the powers of the central government. All powers not reserved by the Constitution to the federal government are reserved for the federation members. It also gives each member the right to form their own system of government. At the same time, the 1993 Constitution actually reduced some of the independence that the regions had held according to the Federal Treaty signed in 1992. In particular, the term "sovereignty" was removed with reference to the republics. Moreover, the Constitution specifies a large number of important matters to the "joint jurisdiction" of the Center and the members. In other important areas, it is ambiguous. For example, it is not clear whether the President may remove an elected chief executive for failure to implement federal law. For these reasons much of what happens in federal relations in the future will depend on how these ambiguities are resolved. The Constitutional Court was finally formed only in 1995 and has just begun, cautiously, to make the decisions that will define how these relations are interpreted in practice. These decisions, as well as federal legislation on power-sharing will be important to watch over the next few years.

2. The Political Dimension

Among the most important centrifugal forces recently set in motion was the election of governors starting in September 1996. Until then most of the regional executives were appointed by the President and could be removed by him. The fact that these very powerful chief executives now owe their jobs to their constituents and not to Yeltsin means they are likely to be more independent. Moreover, there are far more members of opposition parties holding these seats than when Yeltsin controlled their appointment. This greater independence is already being reflected in the work of the upper house of the Russian parliament, the Federation Council, which is composed *ex officio* of the leaders of the executive and legislative branches in each region. In order to counteract the growing independence of regional elites, Yeltsin moved during the summer of 1997 to strengthen the powers of the Presidential Representatives whom he continues to appoint in the regions to oversee the implementation of federal laws. In particular, he has given them the power to coordinate all local branches of as many as ninety federal agencies including tax authorities, customs officers, military commands and the federal police, among other. Another tactic he is pursuing is to strengthen the powers of the municipal authorities *within* the regions, in particular those of the mayors who are natural allies of the center in limiting the reach of regional executives. What to watch? Elections to thirty-one regional legislatures are underway this Fall, with more due next year. They are likely to increase opposition in the Federation Council and to make it even more a forum for regional interests. The Federation Council has already indicated its opposition to federal encroachment of the prerogatives of Primorskii krai Governor Yevgenii Nazdratenko. Although the Constitutional Court declared that the republic of Udmurtia could not abolish municipal elections, so far Tatarstan and Bashkortostan have done so with impunity. The struggle between municipal and regional governments is yet to be decided.

3. The Economic Dimension

One of the main centrifugal forces at work is the economic diversity of the regions. Those regions which are more successful in developing their economies, particularly regions with extractive industries located on borders giving them access to foreign markets, will be less dependent on the Center for subsidies. Bilateral "power-sharing" treaties signed between the central government and 40 of the regions have enhanced economic inequalities by giving the signatories special benefits in taxation and the use of natural resources. If the rich continue to get richer and the poor, poorer, centrifugal tendencies are likely to grow. Still, most of the regions remain poor; perhaps only 10-20 are not subsidized and do not depend on federal assistance. Moreover, the government is committed to signing treaties with all eight-nine members thus erasing particularistic treatment. Moreover these treaties are subject to renegotiation and the Center has shown, most recently in Sakha, that it intends to tighten up. One thing to consider in assessing the future of economic relations is the overwhelming dominance of

Moscow banks in controlling financial capital. As these banks begin to move into the regions in search of outlets for their capital, will they reinforce the economic dependence of the regions on the Center or will they negotiate with regional elites in ways that reduce local dependence? Much will also depend on changes in the tax code.

4. The Geographical Dimension

Another factor which could contribute to decentralization in Russia is the fact that Russia comprises the largest land mass of any country. Distance alone makes efforts to hold the federation together more difficult. In this sense regional independence may be a function of geographical location. Moreover, the embarrassing failure of the Russian military in Chechnya suggests that the threat or use of force to hold the Federation together is likely to be futile, at least in cases where the opposition is indigenous. On the other hand, there are also important centripetal forces at work. Although being located on the border of a foreign power may confer advantages in promoting international trade, it may also raise the issues of territorial integrity. Some of Russia's boundaries have been questioned by neighboring powers. In the case of a threat to territorial integrity from outside, regions, especially those with a large ethnically Russian population, would have to rely on Russia to resist attempts to encroach on their territory. In such cases, the indigenous population would presumably fight with the Russian army, not against it. More subtle than the external threat of force is the possibility of in-migration shifts from outside and of foreign influence over the regional economy, both of which are occurring on borders in the Far East. The reaction of regional elites may be to turn back to the Center.

5. The Ethnic Dimension

The declaration of independence from Russia by Chechnya and the war between them which started in 1994, represents Russia's worst nightmare scenario when it comes to relations with the ethnic republics. There is an obvious concern that if the Russian government conceded the right of complete separation to Chechnya then other ethnically based republic would demand the same. About twenty percent of the population of the Russian Federation is non-Russian. Like the Chechens, many of them were incorporated into the Russian empire against their will and also are located in republics on Russia's borders. At the same time, the demand of Chechnya for complete separation from Russia has, so far, been an exception. Although Tatarstan had originally made similar demands, the bilateral power sharing treaty signed in 1994 established that Tatarstan would remain in the Federation but with special rights thereby setting a precedent in Russia's relations with other republics. In addition, in nine of the twenty-one republics, ethnic Russians account for more than 50 percent of the population with large minorities in almost all the others. This means that for a very large number of those living in the ethnic ally based republics, the preferred political community is with Russia. Future long-term relations between Russia and the ethnic republics seem likely to depend on how inclusive or exclusive the definition is of what it means to be "Russian." If the definition is narrow, and

limited to ethnic Russians, demands for ethnic autonomy could bring an end to the Russian Federation. If the definition is broad and encompasses those from diverse ethnic backgrounds (as in the concept of *Rossiskoye* or *Rossiyanin*) it may be possible to create a shared political community. In the short run, the outcome of negotiations between Russia and Chechnya will be very important.

Conclusions

So, what *are* the possibilities for the future of federal relations in Russia? One approach to this question is to eliminate what seems unlikely. The *Yugoslav* scenario (separatism) is unlikely because the Center remains too strong and the benefits of disintegration are dubious, but the *Japanese* scenario (a unitary state) also looks unlikely because the regions are too strong; they, and especially the republics, would not accept returning to a unitary state except by force and that isn't going to happen soon. A *confederation*, then? This is the view of Vladimir Shlapentokh and his colleagues who foresee that Russia will "shed the unstable semiunitarian and semifederal state that was dominant in 1991-1995 and adopt some sort of confederation with high provincial autonomy." It is also seen as a possible outcome by Darrell Slider who argues that if the 1994 Tatarstan treaty is a model, then "Russia could evolve into a loose confederation of provinces with widely varying economic systems." I don't think the confederal model, at least as defined above, is where Russia is going. That is, I don't see ultimate sovereignty passing over to the sub-national units of the Russian federation by which eighty-nine independent sovereign states go their own way, even as part of a larger regional federation. I think that continued bargaining and negotiation between the Center and its constituent parts is more likely and that a combination of self-rule and power sharing is the optimal outcome for both sides.

Some kind of federal system is Russia's most likely destiny, if only because the alternative scenarios really aren't palatable to the leaders of either the Center or the regions. We should not, however, expect it to necessarily be like what we are used to, at least for the foreseeable future. Russia is after all, still a nation not of laws, but of men. The outcome of federal relations will depend on personal negotiations between region leaders and the President. In this sense, the federalism in Russia may more resemble the "*caudillo*" federalism of Latin America than that of the USA. Perhaps the term should be *khoziastveniki* federalism reflecting more the type of pragmatic, authoritarian "boss" figure that is embodied by Moscow Mayor Yurii Luzhkov. Over the next ten to fifteen years it is to be hoped that there will be movement in the direction of greater institutionalization. In my view, a stable federal system in Russia is as much in the West's interest as it is in Russia's. In the last analysis, legitimate and effectively functioning regional governments can act to *limit* central power; their absence creates more opportunity for the abuse of that power.

PATTERNS OF REGIONAL DEVELOPMENT

SARATOV'S AYATSKOV SIGNS LAND LAW. Saratov Governor Dmitrii Ayatskov on 14 November signed into force the oblast's law which allows the buying and selling of land, *Segodnya* reported 15 November. The Saratov legislature approved the law on 12 November. Ayatskov said that the law did not put any limits on the sale of land to Russian citizens and that foreigners could sign long-term leases. SBS-Agro bank and the oblast administration's Radograd bank will provide credits to individuals interested in purchasing land. A Radograd-SBS-Agro joint venture will become the owner of land controlled by the oblast and lease it out. The first step will be to finish a land survey of the region to determine who owns which parcels. A second step will be to offer mortgages. Oblast authorities believe that the region's land is worth about \$10 billion. (*Kommersant-Daily*, 14 November)

The passage of the law is a political victory for Ayatskov, since President Boris Yeltsin has long sought a similar law from the State Duma. It is a defeat for Agrarian Party leader Mikhail Lapshin who travelled the region denouncing the legislation. Vasilii Likhachev, the chairman of Tatarstan's Legislative Assembly, said that the center and regions must cooperate in adopting a national land code. However, he noted that Tatarstan was on the verge of adopting its own legislation on land. He warned about the dangers of dividing society into two groups with the adoption of the land codes and stressed the necessity of allowing the introduction of buying and selling on a gradual basis.

On 13 November the State Duma passed a measure 264-47, with 6 abstentions asking the Saratov legislature to bring the new law into conformity with Russian legislation. The Duma claimed that only the federal government could pass measure regarding the buying and selling of land since the Constitution had given it the power to regulate Russia's unified market. Deputies from the Our Home is Russia, Yabloko, and Russian Regions factions opposed the Duma majority. Ayatskov rebutted the allegations, asserting that the law is in full conformity with Russian legislation. - Robert Orttung

PRESIDENTIAL REPRESENTATIVE SAYS CRIMINALS COMPETING FOR SEATS IN NOVOSIBIRSK LEGISLATURE.

by Konstantin Kanterov, *Novaya sibir*

NOVOSIBIRSK -- President Yeltsin's representative in Novosibirsk, Igor Shmidt, has officially declared that criminal elements are competing for seats in the Novosibirsk Oblast Soviet. He made the statement, which many observers consider to be unprecedented, while answering questions in a live broadcast on the "Novosibirsk" television station. It is the first time a highly placed official, who has considerable weight among the regional representatives of federal institutions, has said that the state has an interest in maintaining oversight over the "purity" of the legislative branch of power. Moreover, for the first time, this statement was made not during informal discussions in the hallway, but publicly, and not by a member of the law enforcement agencies, but a highly placed official.

Answering questions about the widely-noted articles published in *Novaya sibir* and the Novosibirsk supplement to *Moskovskii komsomolets* detailing the activities of some criminal-

candidates, Shmidt said, "Everything that was written there is correct. I announce this officially. I can confirm it with documents. Believe me. Criminals are really trying to enter the oblast Soviet ... in order to use the levers of power for their criminal purposes ... I would not want to hide this from television viewers. We are making every effort to ensure that criminal elements do not join the Soviet."

Despite the harsh tones, the statement was "reserved" in that Shmidt did not name any names. His reticence is understandable since the term "criminal authority" has no legal standing in Russia, even though this was the way that the articles in *Moskovskii komsomolets* and *Novaya Sibir* described their heroes. The articles focused on two candidates for the Oblast Soviet, Oleg Smetanin and Igor Shulyakov. The *Novaya Sibir* article, published in the 3 November issue (http://plato.sr.unh.edu/siberia/73/mkfrm_tx.htm?14first_13&þáóôø 1.) noted that Shulyakov had until February been the president of the Association for the Gaming and Entertainment Business of Siberia. According to the paper "winning money in your own casino" is a key way for organized crime to launder money originally made from prostitution or drug sales. Of the two casinos actually in the organization, the main one, Knyaz Igor, was closed earlier this year for violating the tax code. Shulyakov himself has been convicted of theft and illegally possessing a weapon.

In an interview with the *Russian Regional Report's* correspondent, Shmidt said that his announcement about possessing documents which confirmed that the candidates were criminals did not mean that he was prepared to engage in a "war of *kompromat*," which he described as a job for other agencies. He was unwilling to make any further statements, but even these careful words could have a significant effect on the evolution of the electoral campaign. First, the documents showing the criminal activities of some of the candidates could become public. Second, they could attract the attention of the local press, which with rare exceptions, has limited its coverage of the campaign to the publication of political advertisements.

SUPREME COURT RULES AGAINST TVER IMPEACHMENT GROUP. Last week, the Russian Supreme Court ruled that the registration of the group trying to impeach Tver Governor Vladimir Platov was invalid. The group was formed and registered in May this year. However, the Tver Regional Court rejected its founding documents on 12 September on the ground that its representatives were unable to offer evidence that Platov had violated federal and local laws, grounds necessary for his impeachment. Despite losing in court, the group vowed to continue its fight against the governor. -- Boris Goubman in Tver

BRYANSK'S TWO "INTELLIGENTSIAS" HOLD SEPARATE CONVENTIONS.

By Alex Levinsky, Deputy Editor-in-Chief, *Bryanskoye Vremya*

BRYANSK -- During the last two weeks, representatives of the local intelligentsia held two different founding conferences. The first was summoned by the local administration with 700 participants, while President Yeltsin's administration called the second, attracting 500 participants.

Valerii Skidan, a local leader of the pro-governmental Our Home is Russia movement, had planned the pro-Yeltsin conference for 30 October. However, Communist Governor Yuriy Lodkin rejected any attempts to combine the conferences and ordered "his" convention to be held the same day. Thus, the Regional Congress of the Intelligentsia, sponsored by the president's representative in the region, had to move its gathering to 14 November. To remain at least formally above the fray, Lodkin attended neither meeting.

The pro-communist convention's organizational committee was led by Vice-Governor Stanislav Kholoschak who chaired the 30 October convention in keeping with party traditions. The only deviations from past practice were the presence of Rev. Nikodim from the Sven Male Monastery in the presidium and the use of an Alexander Pushkin quote about national history and the fatherland in place of the usual red banner.

Vice Governor Kholoschak spoke about the "damage" done to Russia by George Soros' foundation. School teacher Evgenia Dolgikh criticized the government's reform program as suffering from "stupid pigs' syndrome". Mikhail Trushkin, the director of the Alexei Tolstoy Memorial Museum, proposed banning NTV programs in the region because "the rusophobic broadcaster numbs our feelings". Others tried to divide the intelligentsia into "friends" and "enemies". The attempts of Svetlana Osadchaya, the director of the College of Culture, to remind the audience of Academician Dmitrii Likhachev's words that "national antagonism has nothing to do with culture" went unheard...

At the presidential Congress of Intelligentsia, a different atmosphere reigned. Presidential Representative Valerii Gaidukov spoke about the need of unity in society. When the audience refused to listen to Pyotr Rogonov, a member of the Communist Party's regional commission, he and a dozen supporters left the hall. The convention elected deputies to an all-Russian meeting which will take place in December in Moscow. Sergei Filatov, the former chief of President Yeltsin's administration, is leading its organizational committee.

CENTER-PERIPHERY RELATIONS

TATARSTAN'S SOVEREIGNTY DRIVE COMPLICATES FEDERAL

TRANSFERS. The Russian government has decided to stop using the so-called "authorized banks" to handle its finances and in the future will keep its money and carry out transactions through the federal treasury. To implement this reform the government recommended setting up regional offices of the federal treasury in each of the 89 republics and oblasts of the federation (See *IEWS Russian Regional Report*, 30 October). Tatarstan and Bashkortostan were the only regions to refuse to set up such departments. In taking the decision, Tatarstan President Mintimer Shaimiev claimed that Tatarstan had a special financial arrangement with the federal government.

Whatever these special relations are, now Tatarstan will receive its financing from the Russian Finance Ministry through a neighboring region which has set up an authorized branch of the treasury. The head of the federal treasury, Deputy Finance Minister A. Smirnov, noted that the scheme is extremely awkward both as a way of receiving money and for the Finance Ministry itself. Nevertheless, this procedure is required by the Russian government's decree for

those regions that did not set up a regional treasury branch by 1 November. -- Midkhat Farukshin in Kazan

YELTSIN, ROSSEL BATTLE OVER CZAR'S REMAINS IN YEKATERINBURG.

by Dmitry Strovsky, Urals State University

YEKATERINBURG - On 17 November, the first group of experts from the Russian General Procuracy in Yekaterinburg to determine whether the bones found there belong to the family of Russia's last czar returned to Moscow. Another team is expected to visit the city shortly to make a final ruling in this six-year-old dispute.

Three weeks ago President Yeltsin had issued an order that the remains of the czarist family should be returned to Moscow for further study. However, Sverdlovsk Oblast Governor Eduard Rossel firmly opposed that decision, announcing in several public appearances that he would not allow the remains to be transported.

So far the presidential administration has not responded to Rossel's statements and has given the appearance that nothing has happened. However, it seems unlikely that Yeltsin will not react soon to this confrontation between the center and Yekaterinburg.

Governor Rossel enjoys much popular support for his position at home. On 17 November all the local television stations showed the report of medical expert N. Nevolin, who claimed that work done two years ago "confirmed that the remains belonged to the czar's family." He said that the planned work now only repeats what has already been done.

According to recent public opinion polls in Yekaterinburg, the majority of residents believe that Moscow's decision reflects political ambitions more than a desire to determine the truth. In fact, the long-running dispute over the czar's remains shows that the Mid-Urals do not want to willingly give up the "treasure" found near the village of Koptyaka, 25 km from Yekaterinburg. Holding the Romanov's remains in Yekaterinburg gives Rossel a trump card in the build-up to the meeting of the presidents of Russia, the USA, and Germany in the region in September 1998 and also in his attempts to develop ties between the Ural region and foreign countries. Having failed to create a Urals Republic several years ago, Governor Rossel has not given up his intention to maintain maximum independence in resolving all political and economic issues.

It seems that the confrontation between Moscow and Yekaterinburg is only beginning. Clearly President Yeltsin, taking into account public opinion in the Mid-Urals, does not want to come into conflict with such a powerful politician as Eduard Rossel. On the other hand, as the head of state, Yeltsin should be able to make the final decision on this issue. In the weeks ahead, Yeltsin will surely try to strike a balance in his actions toward the governor.

SOCIAL ISSUES

SVERDLOVSK OBLAST NAMES OFFICIAL HUMAN RIGHTS DEFENDER. After a long battle with red tape and a lengthy search for an appropriate candidate, Sverdlovsk Oblast has finally named its official human rights defender, *Podrobnosti* reported 11

November. He is Vitalii Mashkov, the former presidential representative in the region. Since the beginning of June, after he was fired as presidential representative, Mashkov served as political advisor to Governor Eduard Rossel. He had served as presidential representative from 1991 to 1997.

The human rights position is mandated in the oblast charter and oblast legislation adopted more than a year ago. The position is elected for a five-year term by the lower house of the oblast legislature. Mashkov will have a staff of 20 and an office located near the governor's residence. After his election, Mashkov said that he would create ideal conditions for human rights work in the oblast. In particular, he plans to create a special human rights committee. He suggested that the authorities should not skimp on financing such activities.

Yeltsin fired Mashkov as presidential representative because he was considered too close to Governor Rossel. The position of an official human rights defender has come under attack in other regions because many believe that such work should be completely independent of the government. Sergei Kovalev, who used an analogous position in the federal government to criticize the war in Chechnya, was ultimately removed from office by both the president and the State Duma who did not like what he had to say. -- Sergei Pushkarev in Yekaterinburg

WORLD BANK ENVIRONMENTAL PROGRAM WORKS WELL IN URALS, POORLY IN UPPER VOLGA. The World Bank gave the Russian government a \$110 million loan to improve ecological conditions. The government has decided to use about half of this money to carry out various projects in three strategically important regions: the Urals, North Caucasus, and the Upper Volga basin. This approach makes sense, according to Olga Podosenova, a correspondent for the newspaper *Russia's Water*, because these regions are among the most polluted in the country. They also face similar kinds of problems. The loan must be paid back in 17 years and carries a relatively small 6-7% interest.

One of the main goals of the overall project is to improve water quality. In the Urals, the loan has financed a comprehensive program to manage water resources to supply Yekaterinburg with clean water. The purpose of the project is straight forward: to manage water in the Urals rationally so that the water coming out of Yekaterinburg's spickets is clean.

S. D. Belyaev, the manager of the Urals component of the project, believes that if the plan is adopted, it will eventually become self-financing and therefore attract investment. In the course of three to five years, the program could overhaul the water supply system. Such a solution would simultaneously solve a number of problems: reduce water loss (now up to 30% of the water is lost), reduce the number of interruptions in the water supply, and improve water quality by removing secondary pollution from the networks.

In contrast to the members of the Urals team, the leaders of the World Bank project in the Upper Volga region have not explained their goals to the population through the media. The project is being carried out behind closed doors. As a result, Upper Volga project leader V. N. Babyuk had a difficult time when he faced the audience at the Volga Days-97 conference that took place in Nizhnii Novgorod in October.

As the public then learned, all that the project leaders had accomplished was organizing the information that the government had already collected about the state of the environment and

presenting it in a useful way for the adoption of a policy. In other words, the money had been wasted on government bureaucrats rather than measures to preserve the environment.

The country's debt is the debt of all its citizens. The World Bank credit granted to the Russian Federation will have to be repaid by Russian taxpayers. Therefore they should be convinced that the credit was taken for a good cause and that the money is spent rationally. - Yury Rodygin in Nizhnii Novgorod

BUSINESS BRIEFS

-- The Italian-Swiss alliance of **IMPREJILO** and **NCC** have won a \$150 million contract to build a new subway tunnel in **ST. PETERSBURG** to replace the tunnel between the Ploshchad muzhestva and Lesnaya stations that was flooded last year and remains out of service. The project should be complete by the year 2000, when the next gubernatorial elections will be held, but it is not clear where the funding will come from and when construction will begin. Governor Vladimir Yakovlev would like to use the project to show that he is an effective leader in the city. St. Petersburg workers spent more than a year trying to save the old tunnel, but a committee composed of domestic and international experts has now concluded that it will be easier to build a new one. The new tunnel will be built 20-25 meters higher and 200 meters over from the old one. (*Kommersant-Daily*, 13 November)

-- The giant **NORILSK NIKEL** on 11 November gave ownership of the profitable Krasnoyarsk Non-Ferrous Metals Factory, Russia's largest producer of platinum, to the Krasnoyarsk Krai administration to partially pay off its 1.7 billion ruble (\$290,000) debt. This is the first time that a factory has handed over some of its assets to a regional government to pay off its tax debt. Norilsk Nickel will pay off the rest of its debts by giving some of its output to Krasnoyarsk factories. The krai government plans to sell a 49% stake in the plant for 300 billion rubles (\$51 million). The most likely buyer is Moscow's Lanta bank, which has long worked with the factory. (*Kommersant-Daily*, 13 November)

-- On 14 November, Yeltsin gave permission to the republic of **KOMI** and **LENINGRAD, OREL,** and **SAMARA** oblasts to issue Eurobonds. Yeltsin had already authorized **MOSCOW** and **ST. PETERSBURG, NIZHNII NOVGOROD, MOSCOW,** and **SVERDLOVSK OBLASTS,** and **KRASNOYARSK KRAI** to engage in such activities. (*Segodnya*, 15 November)

-- The **KARELIAN** procurator is considering declaring the **SEGEZHABUMPROM PAPER PLANT** bankrupt because it believes that the Swedish owner, **ASSIDOMAN,** which owns 57.3% of the stock, is cutting production at the plant. The procurator's inspectors believe that the Swedes are reducing production at the plant in order to create a shortage of paper goods in Russia and then meet the unsatisfied demand with foreign products. The authorities also believes that the Swedes are removing Russians from

important management positions in the plant. They complain, for example, that there is no collegial executive committee even though the plants charter calls for one. The relationship between AssiDoman and Segezhabumprom has long been stormy. (*Segodnya*, 15 November)

-- The **EBRD** opened a representation in **ST. PETERSBURG** as it plans to increase the number of projects it undertakes in the city and the North-West region of Russia. It is also planning to help finance the construction of a new international passenger terminal at the city's Pulkovo airport. (*Segodnya*, 13 November)

-- The Danish firm Dansk **TYGGEGUMMI FABRIK A/S (DANDY)** began construction of a new chewing gum production facility in **NOVGOROD OBLAST** on 14 November. The firm already has a facility in Novgorod that is capable of producing 5 tons of gum a year, while the new facility will be able to produce 8 tons annually. The company produces the Stimorol and Dirol brands of gum. The overall investment for both projects is \$145 million. They will take advantage of the oblast's policy of granting local tax holidays to joint ventures until they are profitable. Dandy will also benefit from reduced import fees on the materials needed to produce the gum. Dandy's competitor **WRIGLEY (USA)** is building a 15 ton facility in **ST. PETERSBURG** that will come on line in 1998. Wrigley says that it will pay local taxes in St. Petersburg. The two firms almost evenly divide the adult gum market in Russia. (*Kommersant-Daily*, 15 November)

-- **ALMAZY ROSSII - SAKHA**, Russia's main diamond producer, has decided to start developing diamond deposits in Angola, a move that will put it into direct competition with **DE BEERS**, the South African company that sells its diamonds abroad. (*Kommersant-Daily*, 15 November)

-- Britain's **TRANS WORLD GROUP** handed its 36% in the **NOVOLIPETSK METALLURGICAL COMBINE** over to its partner **ROSSIISKII KREDIT** bank in a deal in which the details remain murky. The two are already working together at the **KRASNOYARSK ALUMINUM FACTORY**. At the beginning of December, the Novolipetsk plant will have a stock holders meeting in which the Reforma group of investors (**RENAISSANCE CAPITAL, MFK BANK AND CAMBRIDGE CAPITAL MANAGEMENT**) will seek representation on the board of directors. Until now TWG and the plant's management have blocked the other investors, who claim a majority of the shares, from joining the board. However, the TWG has apparently had a falling out with Novolipetsk's managers and may be ready to get rid of them. (*Kommersant-Daily*, 18 November)

ECONOMIC ISSUES

NEW VOLGOGRAD BRIDGE COULD STIMULATE TRADE BETWEEN CENTRAL ASIA, EUROPE.

by Ivan I. Kurilla, Volgograd State University and Kennan Institute for Advanced Russian Studies

One of the central points of dispute during the 1996 gubernatorial election campaign in Volgograd was the possibility of building a new bridge across the Volga river. Former Governor Ivan Shabunin started work on the 20-mile site (including new roads across the Akhtuba flood plain) several months prior to the 22 December elections after some 30 years of debate over the bridge's usefulness.

Shabunin's rivals called attention to the fact that there was no money for the bridge during the relatively prosperous Soviet era and that such funds were even scarcer since the collapse of Communism. Environmental groups warned that the bridge would damage the Volga-Akhtuba flood plains. And, the tabloid press accused the governor of attempting to build the shortest road to his dacha at taxpayer expense.

Despite the determined opposition to the project, construction activity has not stopped even though Shabunin was defeated in gubernatorial elections by his Communist rival, Nikolai Maksuta.

As the passions of the campaign cooled, people began to realize that such a project might actually boost the regional economy. Currently, the only place to cross the Volga between Saratov and Astrakhan is the dam at the Volzskaya hydroelectric station in a northern suburb of Volgograd. It was built in 1960, however, and is in need of repair.

The city of Volgograd is on the right (western) side of the river. On the left (eastern) side is fertile farm land that locals have dubbed an "All-Russian vegetable garden" that would benefit from better transport links to deliver fresh tomatoes and eggplants to Central Russia. Additionally this area could potentially attract a large tourist industry because of its natural beauty. Also, the road beginning here leads to Russia's southern-most space center at Kapustin Yar.

Most importantly, however, a glance at a map shows that Volgograd and Rostov oblasts form the "bottle neck" of Southern Russia. Crossing these regions is the shortest way from Kazakhstan and Central Asia to Ukraine and Europe. The new bridge would attract East-West traffic that now travels along a northern route via Moscow. The increased trade flow would dramatically boost the reconstruction of the regional economy. Geography promises that the project will be a success.

The only question remaining concerns paying for the bridge. Will Moscow continue to finance the project with federal money from the road construction fund? Will regional authorities be successful in their search for private investment? If not, the support columns that have already been built will remain as a monument to Volgograd's first gubernatorial contest in a free Russia.

NUMBER OF SMALL BUSINESSES DROPS. The number of small businesses in Russia dropped by nearly 50,000 between 1995 and 1997 from 877,300 to 829,400 according to

Harvard University's Davis Center for Russian Studies newsletter (17 October). Despite the national trend, however, the number of small businesses in Moscow grew by more than 7,000 to 183,000. Moscow is far ahead of all other regions, with 22% of the country's small businesses. St. Petersburg has just over 10% of Russia's small businesses, while the rest of top 10 regions (Tyumen, Krasnodar, Moscow Oblast, Sverdlovsk, Krasnoyarsk, Tatarstan, Samara, and Nizhnii Novgorod) each have 4% or less.

To improve the situation for small businesses, Irina Khakamada, the new director of the State Committee for the Support of Small Business, listed seven priority tasks (*Izvestiya*, 12 November): reduce the number of taxes small businesses pay to two; increase employment in small businesses from the current 12 million to 30 million employees; give business easier access to capital; create regional offices of the committee to support small businesses; protect small businesses from organized criminal groups and corruption; ensure that the committee is run by experienced businessmen; and stimulate constant dialogue between the owners of small businesses and the authorities. - Robert Ortung

BRYANSK ENDS YUKOS' REGIONAL MONOPOLY. The Bryansk oblast administration has signed a preliminary treaty with Lukoil to put an end to Yukos' monopoly in the region.

First Vice-Governor Petr Onenko explained that President Yeltsin gave Yukos all the former state owned gas-stations, storage facilities and other petro-chemical infrastructure in the oblast. The regional administration determined, however, that the company had not invested in the region but was instead seeking to "pump out" as much revenue as possible. Mr. Onenko called Yukos' activities "wild exploitation".

The final factor in the region's decision to work with Lukoil was Yukos's policy of lending the profitable gas-stations to private entrepreneurs who had connections with the company's local officials. Just when the oblast administration was looking for a way to introduce greater competition into the market, the vice-governor said, "Lukoil representatives offered their services and the administration agreed." -- Alex Levinsky in Bryansk

WORKERS SELL OFF KOMSOMOLSK OIL PLANT. According to the Komsomolsk-na-Amure [Primorskii Krai] Property Fund, there is a rush on the city's stock market now for common stocks from the local Rosneft oil processing plant. The factory was the only enterprise whose output during the last year was about 300% of the previous year's. The price of the stocks are now about 100 times that of their nominal value. Naturally, front organizations working for unknown companies are buying up the stock. Despite the appeals of the city authorities to the workers of the plant to hold on to their stocks and think about the future of the enterprise and their families, the workers are continuing to sell off their factory, arguing that they want to live like human beings now rather than in some future time. The sales are going on despite the fact that the workers never faced tough times. Even the example of the nearby Amurstal plant does not frighten the workers. That plant went through a similar sell-off and as a result the plant is now idle and the workers who once held prestigious positions are now starving. As the saying goes, man creates his own fate. -- Sergey Shilo in Vladivostok

FOREIGN TIES

NOVGOROD HOSTS CONFERENCE ON ATTRACTING FOREIGN INVESTMENT. Novgorod hosted an all-Russian conference for federal and regional officials on attracting investment to the Russian regions on 14 November. The main demand of the regions at the conference was for the federal government to provide a coherent set of regulations for attracting foreign investment. (*Finansovye izvestiya*, 13 November) The regions themselves can offer holidays from local taxes and can propose a variety of projects, but without a coherent national policy, it is difficult for them to function. Overall, foreign investment makes up 4% of all investment in Russia and 57% goes to the city of Moscow. Just 12 other regions divide the rest. (*Izvestiya*, 13 November) The regions hope to increase foreign investment and attract more of it outside of Moscow.

The site was chosen because Novgorod trails only Moscow in attracting foreign investment per capita. Firms like Mitsui, Ernst and Young, BASF, British Petroleum, Mars, Mobil, Renault, Siemens, Fiat, and Coca-Cola claim that Novgorod's legislation makes the region the most attractive for foreign investors. Novgorod has won a variety of international competitions that have given it a \$400 million credit to build housing and financing from the EBRD to purchase 80 buses and a trolleybus park. The Novgorod authorities have found that by offering tax holidays, they have increased the revenue collected in the local budget. As long as foreign investors put their money into local productive facilities, they are freed from local taxes until their projects become profitable.

The oblast administration has also freed several raions from all local taxes and the oblast pays all federal profit taxes. These regions were not paying any money into the oblast budget earlier, so there is no loss of income. By removing the taxes, the areas have begun to revive, with the appearance of new jobs and improved infrastructure. (*Izvestiya*, 13 November) - Robert Orttung

US TRADE WITH SVERDLOVSK DROPS IN 1997. In the first six months of 1997, US trade (imports and exports) with Sverdlovsk Oblast was only \$167 million, marking the first drop after three years of growth. In 1994, trade was \$254 million, in 1995 it climbed to \$416 million, and last year it reached a peak of \$474 million. Does the decline mark a worsening in economic relations between the oblast and the US?

The US general consul in Yekaterinburg, Daniel Rassel, remained optimistic, arguing that "naked numbers" do not always reflect the realities of a given situation. Sverdlovsk Oblast is one of a handful of Russian regions that exports more goods to the US than it imports. This trend confirms the economic potential of the oblast and suggests that there is a strong base for future cooperation. Moreover, in recent years, the number of American companies establishing a base in the mid-Urals has increased. Firms like Coca-Cola, Pepsi, and Caterpillar are investing in production facilities and spurring new construction in the region.

At the beginning of 1997, there were 62 Russian-American joint ventures registered in the region. These firms are engaged in trade, construction, research and other fields. The overall investment in these enterprises was 6.5 billion rubles, or 4.7% of overall foreign investment in

the region. The American share of this direct investment was 65%, confirming the strong prospects for the strengthening of ties with the US. -- Dmitry Strovsky in Yekaterinburg

CORRECTION: Last week's report incorrectly identified Evgenii Loginov, the coordinator of the local Novosibirsk Liberal Democratic Party of Russia branch, as a former State Duma deputy. He, in fact, remains in the Duma, being the only representative of the LDPR to be elected in a single-member district rather than on the party list in the December 1995 elections. If he wins the race to the oblast legislature, he will legally be able to hold both seats simultaneously.

REGIONAL PROFILE: KOSTROMA OBLAST

Governor: Viktor Shershunov

Viktor Shershunov was elected governor of Kostroma Oblast in December 1996 with the support of the opposition National Patriotic Union of Russia (NPSR). He received about 42% of the vote and defeated former Governor Valerii Arbutov.

Shershunov was born in 1950. After graduating from the Law Department of Kazan State University, he worked in the procurator's office of Galich and Kostroma. In 1990, he was elected deputy and, later, deputy chairman of the oblast legislature. He also has worked as the head of the oblast administration's legal department.

Other Local Leaders

Chairman of the Oblast Duma -- Andrei Bychkov, elected in March 1994

Brief Overview

Kostroma Oblast, founded in 1944, is a part of the Central Economic Region of the Russian Federation. It is located in the center of European Russia and shares borders with Yaroslavl, Vologda, Kirov, Ivanovo, and Nizhnii Novgorod oblasts.

The region is rich in raw materials, for instance, carbonate, clays, sands, and mineral waters. Its major industries are: energy, 80% of which is exported to other regions, machine building and metal-processing, forestry, timber working, and light and food industries. Regional enterprises manufacture equipment for the timber working, metal-processing, and textile industries. They also produce road construction machines and other equipment. About 15% of the oblast GDP comes from the timber industry, which manufactures plywood, cardboard, and paper. Forestry products are among the major export items of the oblast. It also exports equipment for various industries and jewelry.

Basic Facts

1995 Population (est.): 808,800 (0.55% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 0.31%
Agricultural production as percentage of all Russian production (1994): 0.69%
Average personal income index in July 1995: 73 (Russia as a whole = 100)
Price basket index in July 1995: 86 (Russia = 100)
Average back wages owed per person (September 1995): 43,800 rubles (Russian average = 37,100)
Urban population: 66.1% (Russia overall: 73.0%)
Student population (1993): 144 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 28.29%
Percent of population with higher education (1989 census): 8.4% (Russia overall: 11.3%)
Percent of population working in (1993): Industry: 30.7% (Russian average: 29.9%); Agriculture: 12.6% (12.8%); Trade: 9.7% (9.1%); Culture: 11.8% (13.6%); Management: 3.1% (2.3%)
Number of telephones per 100 families (1993): in cities : 28.4 (Russian average: 41.5); in villages: 23.3 (17.2)
According to a 1995 survey by Bank Austria, the oblast is ranked 21st among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 28.02%/49.86% (first round/second round)
Zyuganov: 28.57%/42.70%
Lebed: 23.26%
Yavlinskii: 7.77%
Zhirinovskiy: 7.62%
Turnout: 73.56%/69.76% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 20.15%
Liberal Democratic Party of Russia: 11.45%
Our Home Is Russia: 8.65%
Agrarian Party of Russia: 6.98%
Women of Russia: 5.94%
Communists -- Workers' Russia: 4.93%
Congress of Russian Communities: 4.75%
Yabloko: 4.44%
Derzhava: 4.24%
In a single-member district: 1 Agrarian Party of Russia
Turnout: 68.63% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 56.63% "No" -- 43.37%

1993 Parliamentary Elections

Liberal Democratic Party of Russia: 26.12%
Russia's Choice: 14.59%
Agrarian Party of Russia: 11.89%
Women of Russia: 10.21%
Communist Party of the Russian Federation: 10.01%
Yabloko: 6.87%
Party of Russian Unity and Concord: 6.65%
Democratic Party of Russia: 5.70%
In a single-mandate district: 1 independent
Turnout: 59.69% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 49.80%
Ryzhkov: 22.20%
Tuleev: 7.46%
Zhirinovskiy: 7.11%
Makashov: 4.48%
Bakatin: 4.07%
Turnout: 80.79% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95 [Russian regions on the eve of 1995 elections]*, Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam [Results of the 17 December 1995 elections, regional breakdown]*, Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995 [State Duma elections 1995]*, Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii [Governors of Russia]*, Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.

Advertisement

Investing in High-Tech in Russia -- Conference Friday, November 28

Yes, there **is** a high-tech market in Russia. Many of its member companies are now mature enough to be seeking investment from serious investors. This marketplace is uniquely open and transparent, and its companies are primarily start-ups rather than privatizations. If you are looking for a promising investment in high-tech or simply want to understand the market better, please join us this Friday, November 28, just outside Moscow.

Approximately 100 executives from independent high-tech companies based in Russia will be gathering to learn about the obligations and logistics of working with institutional investors -- and incidentally to meet a few of them. This full-day conference is sponsored and co-hosted by Esther Dyson, a board member of the Institute for EastWest Studies, and Dator, a Russian market-research firm focused on the domestic software and computer market.

Speakers will include the major ceos from the local high-tech community, such as Anatoly Karachinsky, IBS; Leonid Boguslavsky, LVS/Price Waterhouse; Rustem Akhiarov, CHS; Alexander Galitsky, Elvis-Plus; Mikhail Krasnov, Merisel; Alexei Golosov, FORS; Igor Krohin, Ankey; Vladimir Bronnikov, Lanck; and others. Leading high-tech investors from AIG Brunswick, Troika-Dialog, TUSRIF and New Century Holdings will also be contributing their input.

For registration or logistical information, please communicate directly with Alex Prokin of Dator at <alex@dator.msk.ru>, or 7 (095) 360-97-41 (ph/fax), 369-17-17. On content/editorial matters, you may also communicate with Esther Dyson at <edyson@edventure.com>. We look forward to seeing you there!

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Dear Readers,

This week the report is coming out earlier than usual and in a slightly truncated form because of the American holiday of Thanksgiving. We will return at full strength next week.

RRR Editors

IEWS Russian Regional Report
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TABLE OF CONTENTS

Breaking News

A Survey of Key Events in Russia's Regions

Center-Periphery Relations

Ulyanovsk Power-Sharing Agreement Analyzed

Moscow, Kazan Battle over Tatarstan's Stock Market

Patterns of Regional Development

Rostov Governor Seeks to Calm Unusual Political Passions

Kareliyan Autonomy Founded in Tver

Business Briefs

A Weekly Summary of Key Deals in the Regions

Economic Issues

Grachev Hopes to Boost Small Business in Rostov

Tatarstani Stocks Drop in Wake of Global Crisis

Foreign Ties

Mukha Stirs International Spy Scandal in Novosibirsk

Japan, Urals Continue to Build Relationship

\$10 Million Contract Between Tver-Beer Brewery, Holsten Threatened

Regional Profile: Penza Oblast

BREAKING NEWS

17 November

PETERSBURG REMOVES TURNOUT REQUIREMENT FOR LOCAL ELECTIONS. Following the failure of the local elections in September, when low turnout made 78 of the 111 races invalid (see *IEWS Russian Regional Report*, 2 October), the St. Petersburg Legislative Assembly has removed the minimum turnout requirement for the elections to be valid. The city's electoral law thus violates federal legislation which requires a 25% turnout, but to do otherwise could cost the city another 18 billion rubles (\$3 million) to hold elections which are then deemed invalid. (*Kommersant-Daily*, 20 November)

18 November

MOSCOW REORGANIZES INDUSTRIAL ZONES. The Moscow government decided to move some of the factories out of the Hammer and Sickle industrial zone thereby freeing up 70 hectares of urban space for housing units and a more rational use of city land. If the project is successful, the city administration will move other factories beyond the city borders. (*Kommersant-Daily*, 19 November)

19 November

LUZHKOVS BREAKS PROMISE TO NIZHNI NOVGOROD. During the recent gubernatorial campaign in Nizhnii Novgorod Oblast to replace Boris Nemtsov, Moscow Mayor Yurii Luzhkov promised the workers of the Kaprolaktam factory in Dzerzhinsk that Moscow would buy water purifying agents and road salt from them to win their support for Ivan Sklyarov, his favored candidate. Sklyarov won the race, but Luzhkov has now canceled his city's orders. Luzhkov's offer played a large role in Dzerzhinsk's support for Sklyarov. The poor ecological conditions in the area and the pervasive wage arrears had provoked a strong backlash against supporting the political status quo. The Moscow government, however, complained that the products of the factory were of low quality and did not perform as their manufacturers claimed. (*Kommersant-Daily*, 20 November)

GOVERNMENT TO PAY OFF DEBTS BY END OF YEAR. The federal government will pay off its wage and pension debts by the end of the year according to Igor Shabdurasulov, the head of the government's Department of Culture and Information. The regions that are no more than two weeks off schedule include: Moscow, Novgorod, Orel, Samara, Chelyabinsk, Kaliningrad, Ingushetiya, and Chuvashiya. Payments are up to seven months late in Pskov, Tyva, Arkhangelsk, Vologda, Chita, Magadan, Murmansk, Altai Krai, Sakha (Yakutiya), and Buryatia. The government has threatened harsh measures against the regions lagging behind. (*Finansovye izvestiya*, 20 November)

CENTER-PERIPHERY RELATIONS

ULYANOVSK POWER-SHARING AGREEMENT ANALYZED

by S. Gogin, *Simbirsky Courier*

ULYANOVSK - In his speech at the Kremlin ceremony marking the signing of the power-sharing agreement between Ulyanovsk Oblast and the federal government on 30 October, Governor Yurii Goryachev said very little about the agreement. He merely noted that the oblast "would continue to implement the new democratic market reforms with a strong commitment to maintaining a high level of social security and preserving the living standard of the population." He insisted that these principles were enshrined in the agreement. In making these remarks, Goryachev wanted to demonstrate that, despite frequent accusations of conservatism, he has always been a liberal. He hoped that the federal government would decide that it could loosen its grip on the oblast without fear because he would loyally implement reforms.

In his subsequent speeches, the governor has indicated that he gives great symbolic weight to the agreement. He pointed out, for example, that now that the agreement is signed, no one will be able to appeal to Moscow to increase the powers of local governments. [Opponents of Russian governors often rely on local leaders to check their power.]

The agreement does not change the nature of the relations between the Kremlin and the regions laid out in the Constitution. Almost every article stresses the priority of federal legislation over local laws.

Chairman of the oblast administration's Economics Committee Vladimir Chaya, who helped write the document, said that it was one of the best agreements in Russia and one that will facilitate the region's development. He said that its text is based on a typical agreement prepared by the leadership of 11 oblasts, including Ulyanovsk. The positive contribution of the treaty will come in the 30 supplemental agreements that will be adopted in the future. In this sense, the power-sharing treaty itself is like a skeleton that will be filled with further agreements defining areas of concern to both the federal and oblast governments. In addition to the areas of joint jurisdiction listed in Article 72 of the Constitution, the agreement lists a further 12 fields that need greater clarification. These include such issues as the creation of a free economic zone, an overhaul of the oblast economy, the functioning of the fuel and energy complex, and population migrations, among others.

Theoretically, all these agreements could have been signed within the framework of the Constitution. However, Tatarstan started the power-sharing process by gaining a special status within the Russian Federation. The other republics and regions asked "why should we be different?" and also joined in the process of declaring regional sovereignty. There are now 40 such regions with power-sharing treaties. President Boris Yeltsin considers the process beneficial because the treaties take into account the specific features of each region.

In the case of Ulyanovsk Oblast, the treaty allows the oblast to move ahead of federal legislation and adopt its own regulations until federal laws are put in place. The treaty also gives the oblast administration the possibility of enjoying the confidence of regional representatives of federal executive authorities and provides the oblast a free hand in setting and collecting local taxes. In turn, the treaty prevents the oblast from adopting laws that contradict federal legislation. There are many examples of such contradictory laws, according to Deputy City Duma Chairman Lyudmila Moroza.

Perhaps signing a treaty that requires the governor to follow Russian laws will benefit journalists. Now journalists share among themselves the texts of many of the governor's rulings despite the fact that federal law requires the publication of all orders before they come into effect. Currently, the governor only publishes those orders that make him look good.

"Ultimately the fate of the treaty depends on how it is interpreted and implemented, on the interaction between the leadership of the oblast and the federation," according to the Political Scientist Mikhailov. Indeed, the appointment of former Deputy Governor Valerii Sychev as Yeltsin's presidential representative in Ulyanovsk demonstrates the successful application of the clause in the treaty about the participation of the oblast administration in deciding who is appointed to serve as regional representatives of federal agencies in the oblast. In other words, the treaty opens the doors wider for Ulyanovsk lobbyists to work in the corridors of central power.

Overall, local politicians support the treaty. Legislative Assembly member Ivan Pogodin noted for example that "the treaty allows us greater independence in how we use our resources. Whether we will use them wisely is another question. After all, a large amount of freedom from Moscow requires a large amount of responsibility."

MOSCOW, KAZAN BATTLE OVER TATARSTAN'S STOCK MARKET. One of the major problems facing the Tatarstani Stock Market is the growing battle between Moscow and Kazan over who will control it, *Vremya i dengi* [Kazan] reported 20 November. In Tatarstan there are now two agencies that claim to regulate the republic's stock market. The regional branch of the Federal Securities Commission represents the federal authorities, while the Tatarstan Cabinet of Ministers' Commission on Securities and the Stock Market represents the republican authorities. The two agencies, which are completely independent of each other, are locked in conflict. The stock market is increasingly coming under the control of Moscow at precisely the time that the republic would like to maintain control itself. The stock market is important because it is where property is being redistributed -- a process that could either hinder the development of Tatarstan's economy or stimulate its growth.

In particular, there are arguments over the following issues: Should the federal or republican government get the money collected from licensing fees? Who should be responsible for licensing stock brokers and monitoring their activities in the market?

Several possible solutions have been proposed. One suggestion is to disband one of the agencies. Another proposal is to ask the State Duma to amend the law on stock markets so that the Federal Securities Commission could delegate the right to regulate the stock market to regional executive branch agencies. In the draft agreement between the governments of Russia and Tatarstan on power-sharing in the field of the stock market, there is a third idea -- place the regional branch of the Federal Securities Commission under the authority of the republican government. However, it is not clear that the federal government will agree to this idea. -- Midkhat Faroukshine in Kazan

PATTERNS OF REGIONAL DEVELOPMENT

ROSTOV GOVERNOR SEEKS TO CALM UNUSUAL POLITICAL PASSIONS

by Mikhail Denisov, Radio 103

ROSTOV - For better or worse, Rostov-na-Donu has never been included among the cities with high levels of political activity. With rare exceptions, the whirlwinds of political battles, which shake large and small Russian cities with enviable regularity, have always swept past the capital of the North Caucasus. Semen Budennii, the military leader who united Rostov to Soviet Russia during the Civil War, accurately labeled the city "pale-pink," describing the political temperature of the city for many decades into the future. By all accounts, Rostov is a "warm" city, neither hot nor cold. Probably, sociologists, political scientists, and pundits of all types will spill lots of ink trying to understand this phenomenon.

Given that background, the recent events during the celebrations marking the 80th anniversary of the October Revolution were quite shocking. Rostov Mayor Mikhail Chernyshev had given the Communists permission to march down the city's main street, Bolshaya Sadovaya, and block much of the downtown traffic, if the number of demonstrators exceeded 5,000. Otherwise they were to use the less crowded Pushkin Street. In the event, only 2,000 demonstrators showed up, but one of the rally's speakers exhorted his audience to follow him down the main street. The crowd pushed past a police cordon and were ultimately allowed to parade down the city's main avenue to prevent a pitched battle between the police and the demonstrators.

The next day, the two factions within Rostov's State Duma delegation send the mayor sharply contrasting telegrams. Duma members from the Communist Party criticized the mayor for not paying enough respect to the historic importance of the anniversary and warned that ignoring such events "could lead to fierce conflicts with unpredictable consequences." Deputies from Yabloko condemned the "provocative actions" of the rally organizers, warning that they could lead to "widespread disorders." The Yabloko members stressed that maintaining "the peace of the city is more important than political demands."

Partially in response to these events, Governor Vladimir Chub has now created a State Committee on the Year of Agreement and Reconciliation. Its members include oblast and city public officials, Cossacks, representatives of the Orthodox Church, members of the oblast legislature, and leaders of major social organizations. Deputy Governor Aleksandr Bedrik chaired the first meeting, which announced a competition to create a symbol of unity for the city. The members of the commission, however, are in a slightly silly position since they are unanimous in calling for unity. It would have been more logical to create a committee that included opposed groups who could use the round table to resolve real differences.

KARELIYAN AUTONOMY FOUNDED IN TVER. On 15 November, the Tver Oblast Kareliyan National-Cultural Autonomy was officially established in the small city of Likhoslavl. Among its founders are 7 local autonomous national-cultural organizations. At the Conference convened for this occasion, Victor Elkin, former mayor of the Zavolyskii district of Tver, was elected chairman of the 11-member autonomy board. Officially, Tver oblast has a Kareliya population of 23, 400, but according to unofficial estimates, it may be 10 times higher. -- Boris Goubman in Tver

BUSINESS BRIEFS

-- **PAKENSO OY**, a subsidiary of **ENSO OY** (Finland), one of the world's largest paper and packaging companies, will build a packaging plant in Balabanov (**MOSCOW OBLAST**). The project will cost \$40 million and the factory will have a capacity of 90 million square meters of corrugated cardboard a year. Production should begin at the end of 1998. The Russian market for these materials is growing about 15% a year and it does not make economic sense to export the materials from Finland. The demand in Moscow Oblast alone is now 165 million square meters a year and will grow to 270 square meters in five years. (*Ekspert*, 17 November)

-- **KHANTY MANSII AUTONOMOUS OKRUG** is holding a competition for the manager of its Eurobond issue and will announce a winner 19 December. The issue will be worth at least \$100 million, with 9% interest and a term of 5 years. The region produced about 60% of Russia's oil and 3% of its natural gas in 1996. **OREL OBLAST** is also planning a Eurobond issue of \$100 million. It has the seventh highest growth rate among Russian regions. (*Russkii Telegraf*, 15 and 18 November)

-- **SBS-AGRO** signed a cooperation agreement with the **NOVGOROD OBLAST** administration. The partners will work to support local agriculture as well as small and medium-sized businesses. The latter project will be in coordination with the **EBRD**. The bank will also set up a center for planning investment and credits to regional enterprises through its Agroprombank branch. The agreement is the 25th signed by the bank with regional leaders. (*Russkii Telegraf*, 18 November)

-- A consortium of Swiss banks has lent **NORILSK NIKEL** \$14 million to buy mining equipment. It is the first such loan made without a government guarantee. (*Ekho Moskvyy*, 18 November)

-- A consortium of German banks led by **DRESDENER BANK** will the **CHELYABINSK OBLAST MAGNITOGORSK METALLURGICAL COMBINATE** a credit of 956 million marks for reequipping the factory. (*Ekho Moskvyy*, 14 November)

-- **LUCENT TECHNOLOGIES** (USA) on 24 November announced its intention to open a new factory in **ST. PETERSBURG** with 100% American financing to produce 5ESS digital telephone stations beginning in 1998. Initially, the factory will assemble enough equipment for 400,000 phone numbers, but eventually it will produce equipment for up to 800,000 numbers a year. Lucent decided to produce in Russia only after former Communications Minister Vladimir Bulgak told importers that Russia would only buy their equipment if they opened production facilities in the country. (*Kommersant-Daily*, 25 November)

--**COCA-COLA** unveiled a giant 200 square meter advertisement in Moscow on 19 November that is bigger than similar signs in New York's Times Square and London's Picadilly

Circus. The sign uses old defense industry technology of about 2 million lighted diodes that burn longer, are safer, and use less energy than neon lights. Company representatives hope to get the sign into the Guinness Book of World Records. (*Finansovye izvestiya*, 20 November)

-- The **US EXIMBANK** is considering financing the export of **MOSCOW'S** and **ST. PETERSBURG'S** factories with guarantees from city authorities rather than with the usual guarantee from the Russian government. The new Eximbank President James Hermon decided to pursue this option after meeting the mayors of Russia's two capitals. (*Finansovye izvestiya*, 25 November)

-- The president of **VOLVO**, Christopher Palm, arrived in Moscow on 19 November to study the possibility of investing there. He said that he considers the Russian market one of the most potentially lucrative, especially in light of the financial crises sweeping Asia. Palm said that since it is impossible to get rid of dealers in the "grey market," it would be necessary to offer them favorable terms to win their cooperation. (*Segodnya*, 20 November)

-- **DRESDENER BANK** has signed an agreement giving a \$30 million credit to **KALININGRAD OBLAST**. Governor Leonid Gorbenko said that the credit would be used for investment projects to support small and medium sized enterprises and developing the transportation infrastructure. Gorbenko said the agreement was the first with a foreign bank that did not involve Moscow. (*Segodnya*, 20 November)

-- Much of **TATARSTAN** truck maker **KamAZ** was shut down for most of November in order to reduce its losses. The plant also shut 15-22 October in a cost saving move. (*Segodnya*, 20 November)

ECONOMIC ISSUES

GRACHEV HOPES TO BOOST SMALL BUSINESS IN ROSTOV. State Duma Member Ivan Grachev (Yabloko), the chairman of the Duma Subcommittee on the Development of Small and Medium Sized Business, visited Rostov to open an office to facilitate greater communication with local businessmen. The regional Yabloko organization will support the office for the time being. The main purpose of the venture will be to collect comments from Rostov entrepreneurs to help prepare legislation and to involve the private sector more in the legislative process. Grachev believes that it is extremely important to organize a strong lobbying effort for small and medium sized businesses now because the efforts of the Russian Federation government to reduce the number of tax benefits it provides to domestic entrepreneurs could smother small businesses. -- Mikhail Denisov in Rostov

TATARSTANI STOCKS DROP IN WAKE OF GLOBAL CRISIS. The crisis in the foreign stock markets has revived discussion of foreign influences on Tatarstan's stocks. The republic's most liquid stocks have dropped significantly. The stocks of the republic's most stable and profitable firm, Tatneft, have lost 42% of their value since 23 October, dropping from \$203

to \$117. KamAZ stocks plunged 38%, from \$3.54 to \$2.20. Nizhnekamskneftekhim dropped 22% during the crisis and continues to fall, reaching an overall loss of 27.3% on 17 November. Local experts queried by the newspaper *Vremya i dengi* understand why the prices dropped, but none had a ready solution. The republic, which was planning to float a \$200-\$500 million Eurobond issue before the end of the year, has decided to wait until the beginning of next year. -
- Midkhat Faroukshine

FOREIGN TIES

MUKHA STIRS INTERNATIONAL SPY SCANDAL IN NOVOSIBIRSK.

by Konstantin Kanterov, *Novaya Sibir*

NOVOSIBIRSK - Novosibirsk Governor Vitalii Mukha practically created an international incident when he made a statement suggesting that the Novosibirsk special services were monitoring the diplomatic mail of the German consulate in the city. Mukha made the statement while chatting with journalists after meeting German Ambassador Ernst-Jorg von Shtudnitz.

Mukha's exact words were:

"What do you think? That I don't have the documents that [German Consul in Novosibirsk] Vannov writes about me. How could that be? We are a state. We have special services. We are prepared for this."

Question from journalist: "What kind of opinion does she have of you?"

"Normal. She believes that I am a leftist conservative. I believe that on such issues it is necessary to be a conservative. ... Her thinking is not fully developed. Our mayor, however, [points his finger at Novosibirsk Mayor Viktor Tolokonskii] is a free marketeer. That is what she said."

17 November the local TV station Mir showed footage of Mukha's comments. On 21 November, the newspaper *Novaya Sibir* ran an article about the incident calling it the main news of the week. On 24 November, the story reached the Moscow press in *Segodnya* and *Izvestiya* discussed the case on its front page the next day. The administration, the local Federal Security Service (FSB), and the German consulate initially avoided making any comments to the press. The scandal started to grow, however, because *Izvestiya*, quoting foreign journalists, reported that unidentified officials in the Russian Ministry of Foreign Affairs were concerned.

Finally, on 25 November, oblast administration Press Secretary Vladimir Cheplygin said that the governor "does not think that his comments could create a diplomatic scandal." He said that the conversation with the journalist was informal and did not include any official pronouncements. He argued that interpreting the remarks as an attempt to worsen the region's relations with its foreign partners would be a mistake. The press secretary said that the governor was simply referring to documents informing him about the opinion of the consul of him and the mayor. Such documents are prepared by the analytical department of the oblast administration, the Committee on Foreign Ties, and the Committee for Ties with National Organizations. He

said that it was "annoying that journalists fantasized that these services were something that they aren't."

It is clear that the governor's explanation does not really answer whether the FSB was involved. Nevertheless, the scandal will not be long-lasting. Although *Kommersant-Daily* suggested that the German consulate was now planning a move to Omsk, if such a move took place, it would not be because the Germans are concerned that the special services are interested in their work.

JAPAN, URALS CONTINUE TO BUILD RELATIONSHIP. Sverdlovsk Governor Eduard Rossel participated in the Russian-Japanese economic meeting held in Moscow on 19 November. He noted that the agreement reached between Yeltsin and Japanese Prime Minister Ryutaro Hashimoto at the summit in Krasnoyarsk at the beginning of November allowed the countries to set aside their differences for the first time since WWII and begin building a new bilateral relationship. He described his September trip to Tokyo as a turning point in setting up mutually profitable international relations.

During the meeting, Rossel met with Chairman of the Japanese-Russian Committee on Economic Cooperation Kavake and Tokyo Gas President Anzaem, who will take over in January 1998. During his September visit to Japan, Rossel had advocated the formation of a subcommittee to increase Japanese interest in the Urals. In Moscow, he proposed that the Japanese members of the committee hold a meeting of the Urals subcommittee in the region to set up some possible joint projects. Among the proposals to be considered are joint projects to build jeeps, limited-edition cars, and motorcycles. Many famous Japanese companies have expressed interest in working in the Urals, including: Itochu, Komatsu, Kato Works, Kanematsu, Sumitomo, and Toyota Motors. More than 90 representatives of Japanese firms attended the Sverdlovsk presentation at the Russian trade fair in Tokyo. Japanese investment in the Urals region is expected soon. To date, however, there are no firms with Japanese investment in the Urals and only Mitsui has an office in Yekaterinburg. Rossel discussed the idea of attracting greater Japanese interest with his colleagues in the Urals Economic Association meeting on 14 November in Tyumen. It is hoped that increasing Japanese business activity in the region will spur Japan to open a consulate in the Urals region. -- Sergei Pushkarev in Yekaterinburg

\$10 MILLION CONTRACT BETWEEN TVER-BEER BREWRY, HOLSTEN THREATENED

by Boris Goubman, Tver State University

TVER - The Tver brewery's good commercial reputation throughout Russia and Europe inspired Germany's Holsten brewery to invest \$10 million in modernizing the equipment of the plant in exchange for up to 35% of its shares. Quite unexpectedly, however, the final decision to approve this contract is now threatened by the brewery's relationship with the oblast administration and tax police.

This spring, following a number of raids by the local tax police, Tver-Beer Finance Director Maxim Larin reregistered the enterprise in Moscow in order to pay all taxes there. At that time, the brewery was paying 3 billion rubles (\$500,000) in taxes each month, and naturally, the oblast authorities, fearing a loss of revenue, asked Larin to reverse his decision. After negotiations with the administration, the brewery leadership did return its official registration to Tver. At the same time, however, Larin continued to complain that a mysterious "third force" behind the governor had ordered the tax police raids. Larin and his colleagues at the brewery only agreed to return to Tver when they were given personal guarantees from Tver governor Vladimir Platov that there would be no further harassment.

On 16 November, the head of the brewery made an appointment with the governor in order to discuss the terms of the contract with Holsten, as well as the possibility of constructing another brewery in the northern part of Tver oblast with German help. Just three days before that meeting, however, the tax police again raided the brewery's offices. Following an investigation, the tax police levied a 536 million ruble (\$90,000) fine charging that the brewery had not paid 236 million rubles (\$40,000) in taxes resulting from deals with two non-existent Moscow partners. These accusations are, perhaps, well-grounded, but the tax police raid coincided in a very strange way with a fax to the Holsten company headquarters in Hamburg from ISI Gmbh company informing Holsten that Governor Platov was too busy to meet with the company's delegation. ISI Gmbh, apparently an unregistered front organization for an unknown group, pretended in the fax to be playing the role of a facilitator in further negotiations with Holsten on behalf of the Tver governor.

Given all the confusion, the Holsten directors decided to postpone their visit and the signing of the contract, demanding a clarification of what was going on in Tver. The administration of the Tver brewery claimed that it had paid the disputed tax and that the sum named by the tax police was the result of accounting errors. At the same time, the brewery officials expressed their suspicions regarding the true aim of the inspection: it often happens in Russia that enterprises are accused of tax evasion, and then assessed huge fees which force them into bankruptcy. Shares of the bankrupt firm are then sold under the supervision of the local authorities and often go to the "necessary people". Such a move could have been used to prevent Holsten from acquiring shares in the plant. Hopefully, there will eventually be a happy ending. After his latest meeting with Governor Platov, Larin said that the governor is ready to negotiate with Holsten and the Germans are preparing a new version of the contract.

REGIONAL PROFILE: PENZA OBLAST

Governor: Anatolii Kovlyagin

Anatolii Kovlyagin was elected oblast governor in April 1993. In the first round of the election, he won 70% of the vote, while the former governor, appointed by President Yeltsin, received only 5%. Kovlyagin had the backing of a variety of political parties, including the Communist Party, Democratic Party of Russia, and Civic Union.

Kovlyagin was born in 1938. At the age of 23, he graduated from the Penza Agricultural Institute. Immediately after graduation, he was recruited for party work. By 1974,

he had become the head of a department at the oblast Communist Party committee. In 1982 he was promoted to a position on the staff of the CPSU Central Committee, where he worked as an instructor and an assistant to a department head. In 1986, he was sent back to Penza, where he became obkom second secretary. From 1989 to 1990, he served as oblast executive committee chairman.

In 1990, Kovlyagin was elected to the Russian parliament and the oblast legislature. He also participated in the 1993 Constitutional Assembly.

Other Local Leaders

Chairman of the Legislative Assembly -- Yuri Vechkasov, elected in February 1994

Brief Overview

Penza Oblast is located in the Middle Volga River area and shares borders with Ulyanovsk, Saratov, Tambov, and Ryazan oblasts and the Republic of Mordoviya.

The oblast has equally well developed industrial and agricultural sectors. Machine construction, chemicals, forestry, timber-working and cellulose manufacturing, and electronics are the main industries. Grain, vegetables, sugar-beets, and potatoes are the major agricultural products.

The oblast has an active foreign economic policy. Over 60 regional enterprises (mainly in the machine building, medical, and timber-working industries) export their products to about 40 different countries. The main foreign trade partners of the oblast are companies from Germany, Great Britain, Austria, Switzerland, and Hong Kong.

Basic Facts

1995 Population (est.): 1,566,000 (0.89% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 0.45%

Agricultural production as percentage of all Russian production (1994): 1.35%

Average personal income index in July 1995: 51 (Russia as a whole = 100)

Price basket index in July 1995: 80 (Russia = 100)

Average back wages owed per person (September 1995): 54,500 rubles (Russian average = 37,100)

Urban population: 64.0% (Russia overall: 73.0%)

Student population (1993): 141 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 27.05%

Percent of population with higher education (1989 census): 8.8% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 31.8% (Russian average: 29.9%);

Agriculture: 19.3% (12.8%); Trade: 9.1% (9.1%); Culture: 12.4% (13.6%); Management:

2.0% (2.3%)

Number of telephones per 100 families (1993): in cities : 30.3 (Russian average: 41.5); in villages: 11.4 (17.2)

According to a 1995 survey by Bank Austria, the oblast is ranked 41st among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Zyuganov: 50.60%/58.95% (first round/second round)

Yeltsin: 20.81%/35.50%

Lebed: 12.06%

Yavlinskii: 6.93%

Zhirinovskiy: 5.29%

Turnout: 74.92%/72.26% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 37.33%

Liberal Democratic Party of Russia: 11.09%

Yabloko: 6.04%

Communists -- Workers' Russia: 5.20%

Agrarian Party of Russia: 4.63%

Our Home Is Russia: 4.73%

Women of Russia: 3.15%

Derzhava: 3.10%

Party of Workers' Self-Government: 2.99%

Power to the People: 2.35%

Congress of Russian Communities: 2.29%

In single-member districts: 1 Communist Party of the Russian Federation, 1 Agrarian Party of Russia

Turnout: 70.51% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 39.93%

"No" -- 60.07%

1993 Parliamentary Elections

Liberal Democratic Party of Russia: 32.56%

Communist Party of the Russian Federation: 19.49%

Agrarian Party of Russia: 10.40%

Russia's Choice: 8.56%

Women of Russia: 7.16%

Yabloko: 6.95%

Democratic Party of Russia: 4.71%

Party of Russian Unity and Concord: 4.69%

In single-mandate districts: 1 Yabloko, 1 Communist Party of the Russian Federation

Turnout: 62.64% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 61.28%

Ryzhkov: 15.06%

Zhirinovskiy: 7.02%

Tuleev: 6.61%

Makashov: 3.72%

Bakatin: 1.97%

Turnout: 84.14% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95* [*Russian regions on the eve of 1995 elections*], Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam* [*Results of the 17 December 1995 elections, regional breakdown*], Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995* [*State Duma elections 1995*], Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii* [*Governors of Russia*], Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.

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TABLE OF CONTENTS

Breaking News

- Party of Power Seeks to Strengthen Regional Base
- 20 Regions Behind in Making up Wage Arrears
- Yeltsin Allows Land Sales
- St. Petersburg Governor Lists Accomplishments
- Stroev to Davos
- Spiridonov Continues as Governor of Komi
- Kamchatka Elects Legislature
- Environmentalists Blast Port Plans in Leningrad Oblast
- Regional Leaders Join Yeltsin in Sweden
- Vladivostok Mayor Ends Hunger Strike

Politics and Business

- Tatarstan Wage Arrears Growing
- Protests on Chinese Border
- Tax Code Changes Proposed

Business Briefs

- A Weekly Summary of Key Deals in the Regions

Economic Issues

- Magadan Faces Gold Mining Crisis
- Silver Mine Bought By Russian-Canadian Firm
- Rostov, St. Petersburg Breweries Merge
- New Office Building in St. Petersburg
- Omsk Defense Plant to Avoid Privatization?
- Trans-Arctic Routes Through Krasnoyarsk Cut Flight Time

Foreign Ties

- Nizhnii Cultivates Foreign Partners
- Hyundai Jeeps To Be Built in Barnaul

Regional Profile: Ulyanovsk Oblast

BREAKING NEWS

20 November

YELTSIN DEFENDS TAMBOV GOVERNOR. The Constitutional Court heard oral arguments in a case in which the presidential administration wants to increase the power of the Tambov governor even though the governor himself does not want any changes in the status quo. According to the Tambov charter, the regional legislature has practically unlimited power. The president objects to the deputies' decision to give themselves immunity from criminal prosecution, the right to approve regional laws without the governors signature, and veto power over the choice of deputy governors and even the regional head of the Ministry of Internal Affairs, a federal appointee. Yeltsin's team argues that these provisions are not in line with the federal constitution. Governor Aleksandr Ryabov has no problem with the current arrangements since both he and the majority of the legislature are members of the Communist Party. Yeltsin's representative to the court, Sergei Shakhrai, argued that it was necessary to give more power to the governor to defend the division of power. Yeltsin is clearly more comfortable when the legislature is largely powerless vis-a-vis the executive. (*Kommersant-Daily* and *Segodnya*, 21 November)

23 November

MIGRATORY TRENDS. The Federal Migration Service believes that the number of refugees in Russia could increase from the current 1.2 million people to 1.8 million by the year 2001. The refugees will come from the former Soviet republics, with up to 500,000 coming from Central Asia and Kazakhstan. No more than 100,000 people leave Russia for other countries each year and the authorities do not consider the departures a major problem. Other countries' limits on immigrants will keep the number of people leaving at about 0.1% of the population. (*Segodnya*, 24 November)

24 November

PARTY OF POWER SEEKS TO STRENGTHEN REGIONAL BASE. Prime Minister Viktor Chernomyrdin's Our Home is Russia (NDR) claims 172 parliamentarians at all levels among its membership, including 65 State Duma members. The movement is trying to increase the number of regional elites among its ranks since its weakness in the regions contributed to the relatively poor showing of the NDR in the 1995 Duma elections. The next elections are scheduled for December 1999. During the recent slew of gubernatorial elections, 10 NDR governors lost to Communist candidates. Since the party's regional branches were built around these executives, the losses further demonstrated the weakness of the party. The NDR is now in opposition in about 15-17 regions, particularly Krasnodar, Stavropol, and Chelyabinsk. In regions like Kursk and Bryansk (where opposition candidates won) and Kaliningrad and Leningrad oblasts (where "strong managers" won), the NDR has been able to set up a working relationship with the new governors. (*Kommersant-Daily*, 25 November)

25 November

20 REGIONS BEHIND IN MAKING UP WAGE ARREARS. Although Yeltsin wanted to pay off the wage arrears to all state employees and pensioners by the end of the year, at least 20 regions will not make the deadline. While the federal government has paid its share, many governors do not want to commit limited funds to the problem. To get the governors to comply, the federal government is limiting its transfers to 26 regions (they will get as much as they spend on wages), five will receive no financing, and 46 will get full subsidies. Deputy Prime Minister Oleg Sysuev said that the federal government had created 12 "special brigades" that would monitor the payment of salaries and pensions to further insure compliance. (*Kommersant-Daily*, 26 November)

YELTSIN PLANS VISIT TO CHECHNYA. During the first meeting of the Security Council in six months, Yeltsin announced that he plans to visit Chechnya. His last visit there took place just before the 1996 presidential election, when he flew in briefly to meet with Russian soldiers on the edge of Grozny. On 28 November the president said that he would make the trip in January although he did not make clear exactly what day he had in mind. Yeltsin said that he wants to look into the fate of the money Russia has spent on restoring the war-shattered republic and support Chechen President Aslan Maskhadov in order to get the Chechens to put the idea of independence behind them. Yeltsin had suggested that his ministers make more trips to the break-away republic, but few have packed their bags yet. (*Kommersant-Daily*, 26 and 29 November) Over the weekend, Maskhadov said that the Chechen leadership would only welcome Yeltsin if he were willing to recognize Chechen independence (*Izvestiya*, 2 December). Yeltsin's surprise announcement has puzzled observers who question its purpose. Usually Russian praise for Maskhadov's moderation forces him to adopt more extreme positions.

26 November

YELTSIN ALLOWS LAND SALES. Yeltsin signed a decree allowing citizens and legal entities to buy the land under their buildings. The decree will be in effect until Yeltsin and the State Duma can agree on a land code. Yeltsin has refused to sign the current draft of the land code approved by the Duma because it lacks a clause on the buying and selling of land. The decree is unlikely to change much because 50 regions already have their own legislation on land which essentially allows its buying and selling. Laws similar to the one just passed in Saratov are being prepared in the Jewish Autonomous Oblast, Tatarstan, Sverdlovsk, and Samara. Saratov officials claim that up to 30 regions have asked for copies of the law for further study. A decree on the buying and selling of agricultural land is currently under study. (*Kommersant-Daily*, 27 and 28 November)

27 November

ST. PETERSBURG GOVERNOR LISTS ACCOMPLISHMENTS. In an interview published in *Izvestiya*, St. Petersburg Governor Vladimir Yakovlev stressed the city's accomplishments: unemployment is less than 1.5%; the city has collected 100% of its taxes, while the average across Russia is just 67%; the budget has been fully implemented without a deficit, while other regions are struggling to make up shortfalls. He also claimed to have raised

salaries for teachers and increased spending on education overall. In the past, the defense sector made up 60% of the local economy. Now state orders employ only 5% - 15% of those working in this sector, forcing directors to search out orders for the rest.

In the coming years Yakovlev is planning several large construction projects worth hundreds of millions of dollars, such as building new enterprises and refurbishing the local train station, airport and sea port. The sea port now handles 12 million tons of cargo a year, but could handle hundreds of million tons if it were upgraded and traffic currently directed to the Baltic states were rerouted. To attract foreign investors, the city has established an international arbitration court to streamline many procedures. Yakovlev claimed that foreigners who build enterprises on St. Petersburg soil were allowed to buy the land under their factories. He said that during 1997, the local budget received more than a hundred million rubles from such sales.

Yakovlev began raising rents and rates for communal services earlier than many other cities, moves that made him unpopular with many residents. However, he argued that the housing reforms led to increased income of 1.2 trillion rubles (\$207 million) for the city budget. He also claimed to have handed out subsidies to 310,000 families, who now supposedly pay less in rent and service fees than before the price hikes began. Moreover, Yakovlev said that there is now competition among service providers which has improved the quality of services delivered.

ARKHANGELSK GOVERNOR LAUNCHES EDUCATIONAL INITIATIVE. Writing in *Nezavisimaya gazeta* of 27 November, Arkhangelsk Governor Anatolii Yefremov sought to draw attention to what he believes is one of Russia's key problems -- the lack of qualified personnel in the fields of marketing, management, business analysis, and other professions connected with the development of a market economy. Although Yeltsin has sponsored a program to let young people study abroad to gain this kind of knowledge, Yefremov argued that it is too expensive to meet all the country's needs through foreign study programs. Accordingly, he has declared Arkhangelsk a Free Territory of Culture and Education in order to train specialists. While the details of the program have yet to be worked out, the "free" means that participants in the program will be granted various tax and other benefits to carry out their programs.

28 November

STROEV TO DAVOS. President of the Davos International Economic Forum, Klaus Schwab has invited Federation Council Chairman Yegor Stroev to attend the annual January meeting of the group in Switzerland. Schwab asked Stroev to bring the most influential regional leaders with him. (*Segodnya*, 29 November)

30 November

SPIRIDONOV CONTINUES AS GOVERNOR OF KOMI. Yurii Spiridonov won another term as governor of the Komi Republic with a vote of 62%, winning in all cities and raions of the region. His main opponent, Communist State Duma member Rita Chistokhodova won about 21% of the vote. Turnout was 48% (*Nezavisimaya gazeta*, 2 December). Spiridonov has been Komi's executive since August 1989 when he was elected first secretary of

the republican branch of the Communist Party of the Soviet Union. In March 1990, he was elected chairman of the republican Supreme Soviet and won the first gubernatorial elections on 8 May 1994. (*Segodnya*, 2 December)

Spiridonov held the elections now instead of next June when his term expires because, for the first time in a long time, pensions and salaries now are being paid relatively on time. (*Itogi*, 24 November) To move the elections, the members of the republican legislature had to amend the constitution which requires that elections be held every four years. Now the governor can initiate his own reelection.

Spiridonov used his contacts in Moscow to woo voters. Because he organized a meeting between Prime Minister Viktor Chernomyrdin and the miners' trade unions in Vorkuta, they refused even to meet with challenger Chistokhodova. Another gift from the federal government was Yeltsin's decision to allow Komi to issue Eurobonds (*Russkii telegraf*, 29 November). The republican Communist Party did not endorse Chistokhodova, apparently because of a personal feud.

KAMCHATKA ELECTS LEGISLATURE. In the legislative elections of Kamchatka 46 of 49 deputies were elected. The races were highly competitive, with an average of 6 candidates for each seat. The Communists won 10 seats and the traditionally strong Yabloko took 9 (Kamchatka is the home of former Yabloko member, and newly appointed finance minister, Mikhail Zadornov). The "new Russians" also did very well (*Nezavisimaya gazeta*, 2 December). *Nezavisimaya gazeta* on 28 November claimed that number of candidates with criminal pasts running in the farthest oblast from Moscow broke all records. Concern that criminals are occupying elective office in Russia has mounted since *Izvestiya* drew attention to criminal record of Leninsk-Kuznetskii Mayor Gennadii Konyakhin in Kemerovo Oblast. (See *IEWS Russian Regional Report*, 25 September)

1 December

ENVIRONMENTALISTS BLAST PORT PLANS IN LENINGRAD OBLAST. Oleg Bodurov, the head of the Green Cross environmental organization has begun collecting signatures to protest the construction of three ports in Leningrad Oblast. Bodurov claims that the ports could destroy the ecosystems on three islands in the Gulf of Finland. The oblast is building ports in Primorsk, Bukhta Batareinaya, and Ust-Luga. The ports could divert extremely profitable trade that is now going to ports in the Baltic states. Leningrad Oblast officials have claimed that criminal groups are trying to take over port activities in Primorsk. (*The St. Petersburg Times*, 1-7 December, <http://www.spb.ru/times/>)

2 December

REGIONAL LEADERS JOIN YELTSIN IN SWEDEN. President Boris Yeltsin brought along a host of regional leaders for his state visit to Sweden 2-4 December. Governors in the delegation included Kareliya's Viktor Stepanov, Kaliningrad's Leonid Gorbenko, Leningrad Oblast's Vadim Gustov, Murmansk's Yurii Evdokimov, and Omsk's Leonid Polezhaev (Swedish Ministry for Foreign Affairs, <http://www.ud.se/>). Notably absent was St. Petersburg Governor Vladimir Yakovlev, especially since Volvo has been looking into the possibility of

assembly buses at a St. Petersburg plant (*Kommersant-Daily*, 28 November). Sweden's Tetra Pak recently bought the Svetogorsk Cellulose Paper Combine in Kareliya, the republic where AssiDoman has had considerable trouble with its paper plant at Segezha (*Itogi*, 1 December). The two sides signed a number of agreements, including one on cooperation for nuclear safety.

BUSINESS BRIEFS

-- Sweden's **IKEA** is considering opening a store that will be 15-20 kms from **ST. PETERSBURG'S** downtown, according to the local newspaper *Rynok*.

-- The **TUSHIN MACHINE BUILDING** Factory in **MOSCOW** will assemble 5,000 **TOYOTA** minivans a year beginning in 1999 according to a joint announcement by Moscow Mayor Yurii Luzhkov and Mitsui President Shigedzhi Yeshima. Moscow also intends to sign a \$150 million contract to produce automobile engines for the Moskvich cars. Luzhkov noted that the recent agreement signed with **RENAULT** did not mention engines. (*Segodnya*, 22 November)

-- The German-Italian firm **ITALTEL** has announced plans to assemble telephone stations in **SAMARA** with the local firm **SMARTS** as a partner. In 1998, the joint venture will make equipment to service 100,000 numbers, in 1999 it will produce equipment for 500,000 numbers, and then production will rise to one million numbers a year. In 1999, the venture will make GSM mobile phones. Smarts is now Russia's third largest GSM operator. The Samara firm is working to set up branches in **ORENBURG, ASTRAKHAN, SARATOV, PENZA, IVANOVO, VOLGOGRAD, ULYANOVSK,** and **CHUVASHIYA**. (*Kommersant-Daily*, 22 November)

-- **SIDANKO, BRITISH PETROLEUM**, and **ONEKSIMBank** are planning to build a 3,360 km pipeline to carry natural gas from northern **IRKUTSK OBLAST** across Mongolia to a port on China's Yellow Sea. The quickly growing Asian market, which is likely to be able to pay for the gas, is highly attractive to the cash-strapped areas of Russia's east. If growth continues at current rates in Asia, energy use will double by the year 2010. Irkutsk would benefit from the project because the pipeline would supply gas to many unserved parts of the oblast and create numerous new jobs. (*Izvestiya*, 25 November)

-- The US firm **GILLETTE** has announced that it will build a \$25 million second factory in **ST. PETERSBURG** that will begin production in the second quarter of the year 2000. The company has seen a six-fold increase in the sale of its products since it began production in the city five years ago. The American firm will own 100% of the factory. Some local dealers have complained that the razors produced in St. Petersburg are of lower quality than foreign imports. (*Kommersant-Daily*, 26 November)

-- The Hungarian **IKARUS** bus company will assemble up to 1,000 buses a year at **St. Petersburg's** Kirovskii zavod. Moscow's **TUSHIN MACHINE BUILDING FACTORY** has already assembled 1,000 kits. (*Kommersant-Daily*, 28 November)

-- **OMSK OBLAST** opened the West Siberian Investment Center to provide information to investors, companies issuing stocks, and stock brokers. The center is the fifth in a network of non-profit organizations. Such outfits already exist in **MOSCOW, IRKUTSK, VLADIVOSTOK,** and **NOVOSIBIRSK**. By the end of the year, they should be opened in **ST. PETERSBURG, CHELYABINSK, ROSTOV** and **KAZAN**. (*Finansovie izvestiya*, 27 November)

-- The Austrian **COMMERZBANK** is prepared to extend a \$500 million credit to the **MOSCOW** government to buy energy-saving equipment for the food industry and city residences. The money will be used to buy equipment from the German firm **STAenergo**. The city may issue more Eurobonds to finance the deal. (*Segodnya*, 27 November)

-- The **EBRD** has offered a credit of \$100 million for the first stage of construction for the **MUTNOV GEOTHERMAL STATION** in **KAMCHATKA**. The plant will have a 40 megawatt capacity and an overall cost of \$150 million. Unified Energy Systems of Russia, Kamchatskenergo and the oblast administration will provide the other \$50 million. The results of an international competition for firms to build the plant will be announced in December. (*Segodnya*, 28 November)

-- **ZURICH GLOBAL ENERGY**, a subsidiary of **ZURICH INSURANCE COMPANY**, one of the world's four largest, has decided to significantly increase its activities in Russia. The company specializes in insuring against risk in oil and gas projects. (*Ekspert*, 1 December)

-- Three Russian airlines, **VNUKOVSKIE AVIALINII, TYUMENAVIATRANS,** and **MURMANSKIE AVIALINII**, are planning to buy 50 aircraft with 30 to 100 seats for regional flights to meet an expected increase in demand for air travel. The airlines will hold a closed tender, choosing competitors in December and picking the winners by next March. The cost of the planes is expected to reach \$1 billion. The competition is likely to be limited to foreign competitors since Russian aircraft makers do not have equipment that is competitive. (*Ekspert*, 1 December)

-- Tourism in the resort beach city of **SOCHI [KRASNODAR KRAI]** is suffering because air tickets from Moscow to the city cost the same as tickets from Moscow to Greece. Tour operators in Russia complain that their industry needs greater state support. Additionally, Russia needs to advertise abroad to attract more foreigners to its resorts. A conference in the city on 10-14 January will discuss these and other problems. The organizers of the conference hope their discussions will bring these issue to the attention of federal leaders. (*Finansovaya Rossiya*, 27 November)

-- **TATARSTAN** truckmaker **KamAZ's** main production line will remain idle through 5 December instead of the previously planned 1 December. The line has been shut since 17 November and many workers have been on leave since 6 November. The plant is likely to produce only 13,000 trucks this year, about half of what was planned for 1997. Because of its mounting losses, it is less expensive to idle the production line than keep it going. (*Russkii Telegraf*, 2 December)

-- **TRANSAERO** has signed an agreement with **DHL** to deliver express packages to all of its destinations. DHL also has agreements with **AEROFLOT**, **VNUKOVSKIE AVIALINII**, **SAMARSKIE AVIALINII**, **DOMODEDOVSKIE AVIALINII**, and **PULKOVSKIE AVIALINII**. (*Russkii Telegraf*, 2 December)

PATTERNS OF REGIONAL DEVELOPMENT

RUSSIANS IN DAGESTAN ORGANIZE

by Nabi Abdullaev, *Novoe delo*

MAKHACHKALA--Over 600 delegates attended the first conference of Dagestan's Slavic Social-Political Movement "Rus" in the city of Kizlyar on November 22. Chairman of the new movement Vladimir Zazulenko made a keynote address, focusing on the problems of Russians in Dagestan and Russia at large. In his speech he emphasized that ethnic Russians had lost key positions of power "in their own country." He said that real power on the federal level belongs to non-Russian elite factions (mostly Jews and other "marginal" ethnic groups), who lack a Russian national conscience. Additionally, he asserted that ethnic republics within the Russian Federation are governed by local ethnic elites who are conducting ethnically oriented or even separatist policies, at the expense of the Russian population.

The leadership of Rus expressed the fear that the recent introduction of new Russian passports, which do not list the holders' nationality, would make it impossible to ensure the "fair" and proportional representation of Russians in state institutions, especially in ethnic republics. For example, the group noted that while Russians comprise 7.2% of Dagestan's population, their proportion within the republic's leadership is just 4.6%. And half of those are Moscow-appointed leaders of federally-controlled "power structures." The governing elites, Zazulenko claimed, try to create a facade of fairness by appointing token Russians or Dagestanis with Russian surnames to government positions. Conference participants also demanded permission to publish a Russian newspaper (even though such publication has never been banned), apparently unhappy with the existing Russian-language papers, since they do not serve their conception of the Russian national idea. The speakers concluded that the problems of Russians in Dagestan and in Russia as a whole will only be resolved when ethnic Russians have greater representation in state agencies.

Conference participants cited various reasons for Russian flight from Dagestan, which halved the republic's Russian population over the last 10 years. Among them were: outbursts of ethnic and Islamic extremism, actions of illegal ethnic armed groups, violent criminal acts directed against Russians, increasing ethnic tensions in everyday life, fear for children and their

future, the Chechen war, and rising unemployment. Russians in Dagestan are also losing their cultural and educational base as their ties to the rest of Russia become more tenuous. Few Russian students, for example, attend Dagestan's universities.

The conference also focused on the resettlement of mountain Dagestanis onto the plains in Northern Dagestan, mostly populated by Russians. Some conference attendees claimed that those being resettled are responsible for a growing number of rapes reported by Russian women there. Additionally, the Northern region experiences periodic raids by armed Chechen bands, who drive away cattle, steal cars, and kidnap people.

Public opinion polls were cited, according to which half of both the Russian and non-Russian population believes that there is no equality in Dagestan today, recognizing the advantages of other ethnic groups over Russians. This data testifies to the failure of republican policies to deal with the so-called "Russian problem," conference attendees claimed.

Consequently, conference participants concluded that the current situation forces Russians from Dagestan and called for more proactive (not merely cosmetic) measures in the spheres of social, economic and cultural development and protection from ethnic violence. Additionally, the conference participants argued that since Dagestan's government cannot provide ethnic Russians with the necessary support, the federal government must become more active in the republic's affairs. Specifically, they demanded more direct aid toward ethnic Russians, granting the Northern region a special status, and increasing the federal presence both there and in the republic as a whole.

Among other things, the conference resolutions called for the use of Cossacks in local police units. According to Magomedsalih Gusaev, the Minister of the Nationalities and Exterior Affairs, however, while Dagestan's leadership supports the integration of the Cossacks into government agencies and granting them land, it vehemently opposes the creation of armed Cossack formations.

VLADIVOSTOK MAYOR ENDS HUNGER STRIKE. Embattled Vladivostok Mayor Viktor Cherepkov ended his 16-day hunger strike on 2 December. In his address to city residents he stated that he could achieve his goals only if he remained alive. He believes that his death would only let his enemies run loose, and refuses to give them such pleasure. Most observers consider Cherepkov's hunger strike very peculiar. For 16 days he refused to eat, protesting the arbitrary policies of the regional procuracy. At the same time, no cases have been made public to expose the procuracy's illegal actions. Regional Procurator Valerii Vasilenko thinks that Cherepkov was simply trying to blackmail the agency into complying with his policies. Seeing that his hunger strike was having no affect on the procuracy, however, the mayor ended it, under public pressure. Hopefully, the senior citizens who followed Cherepkov's example will also take his lead on ending the hunger strike. Following Chepekov's recent resignation, mayoral elections are set for next March. The on-going dispute between the mayor and Governor Yevgenii Nazdratenko have made the economic development of the region difficult. --Sergey Shilo in Vladivostok

CENTER-PERIPHERY RELATIONS

ALTERNATIVE TAX SCHEME PROPOSED FOR IRKUTSK. State Duma member from Irkutsk Oblast Viktor Mashinskii has proposed an experimental taxation program for his home region. Unhappy with the current Russian tax code and tax policies, Mashinskii stated at a 26 November press conference that the government's fundamental tax policy itself needs to be reformed. The most important feature of the plan is that the federal government would no longer determine how taxes are collected in Irkutsk. Of course, Irkutsk will still pay its share to the federal budget, but it will also have complete control in collecting the money. He wants the federal government to provide guarantees of stable tax policies in the region for at least four years. That will be combined with granting the regional administration a mandate to temporarily suspend companies' debts. Additionally, the plan suggests various tax breaks and foreign investment incentives.

An additional proposal by Mashinskii would mandate that firms based outside of Irkutsk, such as oil company SIDANKO, would have to keep 80% of the earnings from the sale of Irkutsk products in the region. He further wants to drop the value added tax (VAT), which, he claims, makes Russian goods less competitive. According to Mashinskii, his plan enjoys the support of both the regional government and the Center (First Deputy Prime Minister Nemtsov himself promised to back the proposal). But necessary preparatory work, not to mention the experiment itself, will require a lot of effort in the face of the usual bureaucratic inertia.--Galina Solonina (Teleinform) in Irkutsk

SOCIAL ISSUES

WAGE ARREARS GROW IN TATARSTAN. *Izvestiya* (25 November) named Tatarstan among eleven Russian regions responsible for over half of Russia's total wage arrears. Recently published data from the Tatarstan Statistical Committee shows the exact breakdown of the debt. The total arrears amount to 1,883,665,000,000 rubles (\$324 million). At some enterprises, wage arrears have gone up by as much as 12 per cent this year. According to *Vecherniaya Kazan* (27 November), employees of 3,870 organizations and enterprises in the republic will most likely end up without some of their salaries at year end. Industrial enterprises make up about half of the total arrears, and in many cases, workers have not been paid for 2 to 10 months. To avoid not paying their workers at all, managers either pay them with their factories' produce, or with goods bartered from other enterprises. Employees in the spheres of education, health care and science cannot even count on that. The Tatarstan Statistical Committee predicts that wage arrears will only increase in the coming months, due to the lack of funds. Therefore, Yeltsin's decree to repay workers' salaries in full by 1 January 1998 will not be implemented. As *Izvestia* puts it, in the worst case scenario, about one third of Russian regions will enter the new year with mounting wage arrears. But even in the best case scenario, Tatarstan will be among them.--Midkhat Faroukshine in Kazan

EUROBONDS TO FINANCE NIZHNI PROJECTS. In October Nizhnii Novgorod gave local companies an opportunity to gain access to the capital raised from the oblast's sale of Eurobonds. About \$100 million will be distributed on a competitive basis. About 20

companies have submitted business plans, together worth \$400 million, to a special commission set up by the regional government to pick the most viable projects.

One of the first projects selected will bring together the Vodokanal company and the oblast government's Clean Water Project, aiming to improve the local water quality. The project will be entirely financed with \$27.9 million worth of loans. Vodokanal plans to repay its debt to the regional administration partially through raising water rates, consistent with the Russia-wide program of housing reform.

Another winning project was sponsored by the Pavlovsk (a city in Nizhnii Novgorod oblast) Bus Plant (PAZ), which plans to use Eurobond money to finance production of two new models of buses. Half of the necessary \$50 million for this project will be invested from PAZ's own funds, while \$15 million will come from Eurobonds, and \$10 million from Inkombank. As a collateral for the credit, PAZ agreed to offer the regional government a controlling stake in one of its subsidiaries, where the new buses will be produced. The market for these buses is very good: operating at full capacity the plant can only satisfy 10% of market demand. Moreover, the new PAZ buses will cost 100 million rubles (\$17,000) less than their Western counterparts.

Finally, the Nizhnii Novgorod Real Estate Fund won partial financing for its Residential Credit Program. The program plans to spend \$7 million to buy apartments for Nizhnii Novgorod residents, and \$3 million to improve housing conditions of thousands of families in Arzamas. As a collateral for this project, the Nizhnii Novgorod Land Regional Bank offered liquid Russian treasury bills. So far, \$2 million has been approved toward the first part of the project, while the second part will be fully financed as long as the Arzamas city government offers credible budgetary loan guarantees.

Most projects submitted to the commission focus on the regional capital, Nizhnii Novgorod. Naturally, they have the support of Governor Ivan Sklyarov, former mayor of Nizhnii. Counting the already approved projects and the interest payments of \$8.75 million annually, the commission could easily allocate the rest of the Eurobond revenue to the Nizhnii projects and vote itself out of existence.-- Yury Rodygin in Nizhnii Novgorod

WHO WILL SAVE VOLGA PAPER PLANT? The city of Balakhna (Nizhnii Novgorod Oblast) is risking losing 80-90% of its tax base if the local cellulose-paper producing company "Volga" goes under (For an earlier report on this plant, see *IEWS Russian Regional Report*, 28 August). In 1994 Volga received a \$75 million credit from a consortium of German banks and the International Finance Corporation, with 93% of its stock and most financial and physical assets as collateral. Since then the company has been transferring 50% of its hard currency earnings to a Dresdener Bank account, just enough to cover interest payments. The loan was due in September 1997, but at that time Volga was still in no condition to pay it back. So, the creditors laid claim to Volga's collateral: they froze the company's \$22 million Dresdener Bank account and all further funds coming to Volga's account will be applied toward debt payments.

Denied its liquid assets, the company has stopped paying taxes. If the firm is not restored to financial health, then it will not be able to resume its contribution to the local government's budget.

Company management has been searching for a solution since September. Creditors agreed to settle the company's debt obligations and free its assets if they can get back \$50

million. Thus, having acquired the \$22 million from Volga's Desdener Bank account, they are still \$28 million short. Volga's management turned to the oblast administration, asking to borrow some of the money raised from the recent Eurobond issue for six months to pay back the creditors, in exchange for a controlling stake in the company as collateral. While the company will not be able to pay back the oblast in six months, it might be able to restructure its debts with other creditors, the list of which includes the Gorky Railway company and the Nizhnovenergo utility. Additionally, during the six months period Volga's management might be able to renegotiate its debt to the oblast government as well. At the same time, this process would give the oblast control over who will own Volga.

The oblast government, however, is in no hurry to buy the struggling paper producer, as the market demand for paper has fallen sharply. Since the debt was due on November 28 and there is a very real danger of losing the company to foreigners, the oblast administration will have to make an important decision, affecting a key district of the region. In effect, today's administration has a chance to buy for a little what its predecessor sold for a lot, and then sell it later. And there is some apparent interest in Volga stock among its European paper-producing competitors. Therefore, Governor Ivan Sklyarov has asked his staff to explore the possibility of obtaining credit from some of the Moscow banks for saving Volga.-- Yury Rodygin in Nizhnii Novgorod

POWER PLANT CONTROVERSY ESCALATES IN ROSTOV

by Mikhail Denisov, Radio 103

ROSTOV--Passions around the controversial Rostov nuclear power plant erupted again as a result of a 17-18 November environmental conference. Local environmental activists proposed that the Atomic Energy Ministry (Minatom) sponsor the conference last spring.

The conflict has its roots in the Rostov Oblast Soviet's 1990 decision to suspend construction of the plant in response to numerous protest actions in Rostov and Volgograd. That decision was backed by a similar decree from the Russian republican government. To "finish off" this problem, the oblast soviet decided in August 1992 to ban the construction of the power plant altogether, seemingly ending the dispute. But the story does not end there.

Prime Minister Victor Chernomyrdin told *Rabochaya Tribuna* (27 October), that "Seven years ago we had important reasons for suspending the plant's construction, but today the situation is different. The necessary tests have been conducted and scientists now speak in favor of building the power plant." His words stirred up new controversy particularly among the populace and environmentalists who have long criticized the Minatom bureaucrats for wishful thinking. After all, only twenty out of 46 experts on the commission tasked with determining the plant's ecological impact signed off on the project.

Local environmentalists claim that "none of the problems that caused the suspension of the project have been resolved. Construction plans still do not live up to regulatory demands." One of the key problems with the project is its location, right above the Tsymliansk reservoir on the Don river, the only source of drinking water for much of the region. Even mild pollution of the reservoir will deny drinking water to the entire lower Don area.

During the course of the conference, opponents of the project blasted the plant's supporters for pursuing only their own self-interest in trying to revive the plant. Specifically, they focused their ire on Minatom bureaucrats, the regional administration, potential consumers of Rostov energy (mostly outside the region's borders), and nuclear scientists.

Even the Don Cossacks took part in the debate, in yet another attempt to establish themselves as a viable political force in regional politics. During a meeting of atamans (field commanders) in Novocherkassk, Cossack leaders rejected additional work on the plant. In their opposition to the project, the Cossacks even threatened to lie down on railway tracks, blocking further construction. They also proposed turning the plant into a canned meats factory. With financial help from local entrepreneurs, the Cossacks created an environmental fund to counter the launch of the project. One can only guess what kind of actions the Cossacks might take in the future.

Obviously, the situation will only escalate further. The regional legislative assembly simply has to revoke the old oblast Soviet decree in order to reopen the project.

ECONOMIC ISSUES

MAGADAN FACES GOLD MINING CRISIS. This year's mining season has ended in the gold-rich Yagodinsk raion of Magadan Oblast. The year-end results are disappointing: only 3,850 kilos of gold have been mined, a mere 57.2% of the planned 6.6 ton quota. In comparison, last year the miners produced almost 6.5 tons of gold. Nobody knows yet who will provide credit financing to support operations in 1998. So far no preparatory work for next year's mining has begun, a situation which prevails in many other raions of the oblast. Miners do not like the proposed government financing scheme, according to which only the three largest enterprises in the oblast will get government-guaranteed purchase orders and advance financing of gold extraction. The left out miners do not know where they will turn.--Sergey Shilo in Vladivostok

SILVER MINE BOUGHT BY RUSSIAN-CANADIAN FIRM. On 17 November Magadan Oblast Dukat silver mine, which works one of the largest silver deposits in the world, was auctioned off to the Russian-Canadian enterprise Serebro Dukata. In a competitive auction, the company gained license to develop the deposits for the next 20 years. Serebro Dukata is a joint venture between Canadian Pan-American Silver and Russian Geometall Plus.

Discovered in 1973 only 36 kilometers from the city of Omsukchan, the deposit began producing silver in 1979. Since then it has yielded 2,000 tons of silver and 86 tons of gold. However, the collapse of the Soviet Union left the mine's processing partners in Kazakhstan. The resulting customs duties, payment defaults and debts forced the company to collapse. The mine has been idle for a year, and the staff has not been paid wages for a long time. When the management tried to sell 49% of the company's stock, most potential investors were scared off by the mine's mounting debt of over \$100 million.

Magadan Governor Valentin Tsvetkov found a solution when he proposed that the company's workers voluntarily give up Dukat's mining license, instead of letting the company slip into bankruptcy. He also promised to make sure that the new owner would fully pay back

wages and guarantee employment for the staff. Despite union opposition, Dukat's employees followed Tsvetkov's lead and gave up the license. From the \$5 million raised from the winning bidder, \$4 million will go toward paying wage arrears. Additionally, the winner promised to insure employment for 90% of Dukat's staff. In turn, both regional and federal authorities hope to begin receiving taxes from the improved (and still mostly Russian-owned) enterprise.

The new company should operate at full capacity by 2001, planning to mine about 500 tons of silver and 2 tons of gold annually. Investment is estimated at \$120 million, with a full recovery period of 6.2 years. Net profit over the next 12 years is projected at \$152 million. Today, Dukat's deposits contain 15,000 tons of silver and 30 tons of gold. Unclear still is the issue of the company's \$100 million debt, which it cannot repay in the near future.--Sergey Shilo in Vladivostok

ROSTOV, ST. PETERSBURG BREWERIES MERGE. In what amounts to the largest merger in the Russian beer industry, the shareholders of the Donskoye Pivo company approved a de facto acquisition of their plant by the Baltika beer factory in St. Petersburg. Representatives of Baltika, accompanied by the first deputy governor of Leningrad oblast, attended the meeting. Baltika gained 60% of the Donskoye Pivo stock, in return for its \$30 million investment in the technological restructuring of the Rostov brewery. Donskoye Pivo's charter capital, therefore, has gone up to 60 billion rubles (\$10 million). As the new Board of Directors was selected, Sergey Kostyukov, representing Baltika, was elected as the new chief executive of Donskoye Pivo. The main reason for the merger was the numerous unsuccessful attempts by the previous management of Donskoye Pivo to keep the struggling brewery afloat. It faces severe competition from several other Volga beer producers. The new corporate entity plans to saturate the regional market with inexpensive, but high-quality product, and then move on to conquer Europe by the millennium.--Mikhail Denisov in Rostov-on-Don

NEW OFFICE BUILDING IN ST. PETERSBURG. Russia's northern capital opened its first modern business center on 17 November. Located at Nevsky 25, the new Atrium office building cost \$30 million and sits on the former site of the Kazanskii Cathedral dormitories (which later housed the Kavkazskii restaurant). The project came about as a result of private and public sectors cooperation. Its organizers included the European Bank for Reconstruction and Development, the Rubin commercial bank, the Chicago-based GolubEvropa company, and the City Property Committee. General Health Care, a company based in Prague and famous for using NASA technologies in medicine, will be among the first tenants. Over 30% of the office space has already been rented out.--Valeri Ianovski in St. Petersburg

OMSK DEFENSE PLANT TO AVOID PRIVATIZATION? Omsk Oblast Governor Leonid Polezhaev has petitioned Russian Prime Minister Viktor Chernomyrdin to exclude the Omsk Transportation Machinery Plant from the federal privatization program and retain its status as a state enterprise. According to the governor's press secretary, the plant is Russia's largest producer of modern military tanks. Because the Ministry of Defense has not bought any of the plant's products in the last two years, the plant had to survive on commercial contracts, catering to Cyprus, Thailand and several African countries. According to Governor Polezhaev,

a Ministry of Defense official responsible for tank procurements promised to place a large order for 1998 during a recent visit to Omsk.--Konstantin Kanterov in Novosibirsk

TRANS-ARCTIC ROUTES THROUGH KRASNOYARSK CUT FLIGHT TIME.

Krasnoyarsk Krai might be entering the forefront of the international effort to use satellite technology in civilian aviation. Geographically, the region is in a perfect position, stretching across the center of Russia from the Arctic Ocean in the North to near the Mongolian border in the south. So, to fly from South-East Asia to North America or from Japan to Europe, one can hardly find a shorter route. Many companies could use Russia's open skies to fly East-West--from Nagasaki, Tokyo and Sapporo to London, Berlin and Paris through Khatanga, Norilsk and Dixon (all in Krasnoyarsk Krai). On the North-South axis, one can save up to 4 hours of time and plenty of fuel by flying straight from New York, Chicago, Los Angeles or San Francisco to Karachi, Bombay, Dehli and Singapore. Undoubtedly, the trans-Arctic connection will be more popular in the next millennium than the current routes.

Today only heavy bombers and reconnaissance planes use the Arctic route. Few civilian pilots would risk venturing into the polar latitudes. Even though the route was pioneered in 1930 by Soviet pilots such as Valerii Chkalov and Mikhail Gromov, it has not been used since. Today things are different. Russia's desire to fully integrate into the global community further prods the trans-Arctic flights. During his recent visit to America, Governor Valery Zubov of Krasnoyarsk approached several US airlines, who expressed considerable interest in the new form of cooperation.

Of course much needs to be done to insure safe flight for modern civilian planes across the Arctic and Siberia. While safety is the first priority, Krasnoyarsk is focusing on establishing the necessary satellite-based navigational and communication infrastructure. A satellite network will cover the whole of Northern Russia and the Arctic Ocean. This infrastructure will be based on the existing Krasnoyarsk air-space consortium, including old airports (many in need of refurbishment) and a control center for managing civilian space satellites in Zheleznogorsk (the former Krasnoyarsk-26). A similar center is being created in Krasnoyarsk's own Emelyanovo airport. A local high-tech enterprise has already begun production of satellites and satellite antennae, while local airlines have begun preparing for the trans-Arctic flights.

The most serious problem, though, is the reconstruction of many airfields. Many local airports (such as the ones in Krasnoyarsk, Dudinka, Khatanga, Norilsk, Abakan, and Kyzyl) will be used for refueling and technical support for the connecting flights. The Krai administration hopes that this will infuse more foreign money into the struggling airports in tech support fees. Both the kraï and federal government will gain in higher tax revenues. This initiative has already received the blessing of President Yeltsin and the president of the International Committee of Civilian Aviation, and several US and Canadian airlines would like to get involved. The next step is to gain the cooperation of Mongolia and China, as well as of the Nordic Council countries. The first test flight over the North pole should take place as early as December.--Sergey Bondarev in Krasnoyarsk

FOREIGN TIES

NIZHNI CULTIVATES FOREIGN PARTNERS. According to the recently published official statistical survey on the social and economic situation in the Nizhnii Novgorod oblast, the region's main foreign trading partners are (in order of importance): Switzerland, Hungary, Finland, Ukraine, Kazakhstan, Lithuania, Latvia, Sweden, and the Netherlands. The list has changed significantly compared with last year, when the three most prominent partners were Latvia, Lithuania and Finland.

Switzerland features at the top of the list due to technological imports from that country to equip the Nizhnii dam, several regional medical centers, and the Novogorkovsk thermal power plant. On the other hand, Hungary's prominence is due to the creation of a new company in that country by the GAZ car manufacturer, as well as due to the growing interest of the Hungarian bus-maker Ikarus in supplying the region with its products. Finland mostly exports ecological technologies and waste processing equipment to the oblast. The high rankings of Kazakhstan and Ukraine are due to the new GAZ subsidiaries in the Ukrainian cities of Kremenchug and Simferopol and in Kazakhstan's Almaty. Additionally, Nizhnii's metallurgical industry receives over one third of its cast pig iron from these two CIS countries. Sweden and Holland are most actively involved in agriculture and ecology.

Nevertheless, the absence of Germany from the list is surprising, given the intensity of apparent cooperation between the oblast and the Nordrhein--Westfalen lander. Four German delegations visited the region between March and June 1997, and Germany held a special festival celebrating the Nizhnii economy in October which was attended by over 100 representatives from the region. Something must be going wrong in this sphere of cooperation, despite its track record of several years. Additionally, the absence of Great Britain is also surprising, given the regular trade fairs, such as "Brintex-95," "Brintex-96," "Britain in Nizhnii" and the activities of the British "Know-How" Fund.

Next year might see strengthened cooperation between Nizhnii and Bulgaria's Rusenskiy region, the Czech Republic's North Moravia region, and France's Bouches-du-Rhone region, all of which have signed agreements with Nizhnii. Italy, Denmark, Japan, Egypt and Malaysia are also likely to strengthen their ties to the oblast.--Yury Rodygin in Nizhnii Novgorod

HYUNDAI JEEPS TO BE BUILT IN BARNAUL. Production of South Korean Hyundai Galloper jeeps has begun in Barnaul, Altai Krai. All the necessary customs and registration papers have been approved. The Barnaul firm Andsart & Co will assemble the jeeps from parts imported from Korea. General Director Andrei Sartakov is planning to assemble 100-200 cars monthly, with projected expansion to 2,000 units. Thirty sets of jeep parts have already been delivered to Barnaul. The Jeeps will sell for \$24,000-32,000 each. If the Galloper project succeeds, Andsart & Co. might be able to assemble the Sonata, Lantra, and Accent models as well as the H-100 mini-van.--Konstantin Kanterov in Novosibirsk

BORDER ISSUES

PROTESTS AGAINST NEW BORDER WITH CHINA. The Jewish Autonomous Oblast has registered numerous protests against the border demarcation agreement between Russia

and China signed during President Yeltsin's recent trip to Beijing. Over 300 residents of one of the oblast's border districts wrote letters of complaint to the *Birobidyan zvezda* newspaper. The residents are protesting the transfer of several Amur river islands from their district to China. The situation is complicated by a complete lack of information both in the oblast administration and in the local border guards detachment, responsible for guarding over 500 kilometers of the border, as to the exact location of the new line. No documents showing the final demarcation have been received from Moscow. However, it is known that China is supposed to get five of the eight disputed islands, or about 3,000 hectares of land. And about 50 kilometers of the border will virtually coincide with the Russian bank of the Amur river. It comes as no surprise, therefore, that the new demarcation has caused protests from local fishermen, students and farmers alike.--Sergey Shilo in Vladivostok

REGIONAL PROFILE: ULYANOVSK OBLAST

Governor: Yurii Goryachev

Yurii Goryachev won election as governor in December 1996, receiving over 42% of the vote. He was backed by Grigorii Yavlinskii's Yabloko movement and the local branch of Our Home Is Russia (NDR), even though the NDR's national leadership refused to support him. The Communist Party did not support him either, opting for another candidate, despite his close ties to it.

Goryachev was born in 1938. At the age of 23, he graduated from Ulyanovsk Agricultural Institute. After serving in the army, he was recruited for Komsomol and party work. By 1965, he was promoted to the rank of Ulyanovsk Komsomol first secretary and in 1973 became first secretary of the Ulyanovsk district organization of the Communist Party. In 1978, he was elected chairman of the oblast executive committee, simultaneously being a member of the oblast CPSU committee.

In March 1990, Goryachev was elected to a seat in the Russian Federation parliament. He also won a spot in the oblast legislature, where he soon became chairman, and first secretary of the obkom. In June that year, he was a delegate at the 28th Communist Party Congress, which elected him to the CPSU Central Committee.

During the August 1991 coup attempt, he remained neutral. After that, the oblast council proposed that Yeltsin appoint him governor, but the president rejected that idea. The council opposed Yeltsin's choice and made it almost impossible for him to accomplish anything. In January next year, Yeltsin replaced the old governor with Goryachev.

A year later, Yeltsin offered Goryachev the post of deputy prime minister for agriculture, but Goryachev declined the offer. In December that year, with the support of the Communist Party, he was elected to the Federation Council, the upper house of the new Russian parliament.

Other Local Leaders

Chairman of the Legislative Assembly -- Sergei Ryabukhin, elected in December 1995

Brief Overview

Ulyanovsk Oblast is located in the basin of the Volga River about 900 km from Moscow. It shares borders with Samara, Saratov, and Penza oblasts, and the republics of Mordoviya, Chuvashiya and Tatarstan. The oblast has a considerable non-Russian population, including 11.4% Tatars, 8.3% Chuvash, and 4.4% Mordvins.

Ulyanovsk, which bore the name Simbirsk until 1924, was founded in 1648 as a military fortress. In 1796 it became the center of Simbirsk Guberniya, an administrative unit in Czarist Russia. Simbirsk is the home town of Vladimir Lenin (Ulyanov).

In the last century, the city became one of the country's trade centers. Today, the region has a highly developed machine building industry, which manufactures cars, planes, and agricultural and chemical equipment. There is also a strong light and food industries. Regional agriculture specializes in cultivating grain, potatoes, vegetables, sugar-beets, and sunflowers.

Basic Facts

1995 Population (est.): 1,492,300 (1.01% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 0.98%

Agricultural production as percentage of all Russian production (1994): 1.19%

Average personal income index in July 1995: 59 (Russia as a whole = 100)

Price basket index in July 1995: 66 (Russia = 100)

Average back wages owed per person (September 1995): 53,900 rubles (Russian average = 37,100)

Urban population: 72.6% (Russia overall: 73.0%)

Student population (1993): 128 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 23.52%

Percent of population with higher education (1989 census): 8.9% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 34.9% (Russian average: 29.9%);

Agriculture: 16.1% (12.8%); Trade: 7.9% (9.1%); Culture: 12.2% (13.6%); Management: 2.0% (2.3%)

Number of telephones per 100 families (1993): in cities : 28.5 (Russian average: 41.5); in villages: 12.9 (17.2)

According to a 1995 survey by Bank Austria, the oblast is ranked 30th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Zyuganov: 45.83%/56.28% (first round/second round)

Yeltsin: 23.78%/37.83%

Lebed: 12.34%

Zhirinovskiy: 7.38%

Yavlinskii: 5.91%

Turnout: 71.05%/69.37% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 37.16%

Liberal Democratic Party of Russia: 13.26%

Women of Russia: 7.82%

Communists -- Workers' Russia: 4.84%

Our Home Is Russia: 4.70%

Party of Workers' Self-Government: 3.05%

Agrarian Party of Russia: 2.94%

Yabloko: 2.89%

Congress of Russian Communities: 2.62%

Russia's Democratic Choice: 2.59%

In single-member districts: 1 Women of Russia, 1 independent

Turnout: 66.35% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 51.16%

"No" -- 48.84%

1993 Parliamentary Elections

Liberal Democratic Party of Russia: 24.57%

Communist Party of the Russian Federation: 17.50%

Agrarian Party of Russia: 13.98%

Russia's Choice: 12.23%

Women of Russia: 8.04%

Party of Russian Unity and Concord: 6.17%

Democratic Party of Russia: 5.52%

Yabloko: 4.78%

In single-mandate districts: 2 independent

Turnout: 58.01% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 52.83%

Ryzhkov: 23.37%

Tuleev: 7.77%

Zhirinovskiy: 6.65%

Makashov: 3.22%

Bakatin: 2.76%

Turnout: 78.40% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95* [Russian regions on the eve of 1995 elections], Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda*

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TABLE OF CONTENTS

Breaking News

A Survey of Key Events in Russia's Regions

Special Report on the 7 December Legislative Elections

Governor Nazdratenko Suffers Set-Back in Primorskii Krai

Titov Faces More Aggressive Legislators in Samara

Communists, Lebed Big Winners in Krasnoyarsk

Communists Dominate Penza

Results Trickle in from Khabarovsk, Murmansk

Success Story

St. Petersburg's Kirovsky Zavod Sees First Year of Growth

Patterns of Regional Development

New Regional Rankings Published

Norilsk and Krasnoyarsk Make Economic Peace

Irkutsk Development Policy Considered

Center-Periphery Relations

Mitina Replaces Kazakov on Administration Staff

Bryansk Vodka Boss Forces Yeltsin To Amend Decree

Social Issues

Internet Surfers Protest Phone Rate Hike in Bryansk

Tatarstan's Vice Premier Faces Corruption Charges

Radioactive Danger in Moscow Oblast

Business Briefs

A Weekly Summary of Key Deals in the Regions

Economic Issues

Small Business in Moscow

Legal Issues

Foreign Firms Evade Taxes in Karelia...

... and in Sverdlovsk Oblast

Foreign Investment Round-Up

Petersburg Appeals to Investors, But Problems Remain

Novosibirsk Foreign Investment Update

Sverdlovsk Foreign Investors Turn to Industrial Production

Saratov Land Law Attracts Investors...

... But Oblast Has Long Way To Go

Foreign Ties

Baltic Pipeline Plans Presented

Osnabruck Hotel Opened in Tver

Tver, Latvian Port City Examine Cooperation

Regional Links

Khabarovsk Duma

Russian Mafia

Regional Profile: Vladimir Oblast

BREAKING NEWS

1 DECEMBER

LACK OF TRANSBORDER TRADE LEGISLATION HINDERS RUSSIAN-EU RELATIONS. A new agreement between Russia and the EU came into force 1 December and the regions will play an important role, particularly border regions. However, Moscow and Moscow Oblast now tend to develop better ties with Western partners than do border regions. Slow development of the necessary legal framework for a stable investment environment for investors is to blame. More than half of the regional laws adopted contradict federal legislation in some way. There is not even a draft law on transborder trade in the works, according to Deputy Chairman of the Duma Committee on Federal Affairs and Regional Policy A. Shishlov. Perm Governor Gennadii Igumnov argued that his oblast has developed all the legislation that it needs to regulate foreign trade, but investment is still relatively small. (*Finansovye Izvestiya*, 9 December)

ULYANOVSK INTRODUCES VODKA LAWS. Ulyanovsk became the sixth region to introduce laws on the import of vodka from other regions. Now all vodka produced outside the oblast must pass through a quality-control process that will boost its cost 10-15%. The federal alcohol monopoly rejects the imposition of these regional rules which limit trade within the country, but is powerless to take punitive measures. According to federal legislation, the regions do not have the right to impose such barriers. Other regions with such legislation include Primorskii Krai and Bashkortostan. (*Kommersant-Daily*, 2 December)

KALININGRAD FORCE SHRINKS. President Boris Yeltsin's promise in Stockholm to reduce Russian forces by 40% in the Northwest region did not come as a surprise to Russian generals since such plans have existed for a long time. The first cuts took place in Kaliningrad Oblast, where Russia eliminated its 11th Army, which had long upset the Poles who felt that it was unnecessarily large during peace time. The land force has now been subordinated to the

Baltic Fleet which will eventually allow a savings of 30% when all the necessary restructuring is accomplished. The number of troops will be cut in half and about 2,000 officers will be retired. Providing social assistance to those who must leave the military will be expensive and there are already thousands of officers in Kaliningrad without housing. Both the fleet and the former 11th Army each owe their soldiers about 21 billion rubles (\$3.5 million) in back pay. The Leningrad military district and the Northern Fleet also face huge cuts and it is not clear where the money will come from to help the former soldiers make the transition to civilian life. (*Izvestiya*, 5 December and *Obshchaya gazeta*, 4-12 December)

2 DECEMBER

CHELYABINSK AUTHORITIES WAGE WAR AGAINST LOCAL PAPER. The Chelyabinsk Oblast authorities have tried to throw the employees of the *Delovoi Ural* newspaper out of their offices, claiming that they do not have a lease. The workers at the newspaper, however, charge that the administration is trying to crack down on them because the newspaper has published articles critical of the administration. On 2 December the administration tried to prevent the paper's staff from entering their offices, but the journalists and their defenders successfully opposed the operation. Since December of last year, when Governor Peter Sumin came to power with Communist backing, *Delovoi Ural* has been one of the few papers to print articles critical of him. The paper is controlled by Vasili Kichedzhi, the general director of the Chelyabinsk Tractor Factory. Kichedzhi defeated the administration in a recent dispute over restructuring the plant's debt in which the administration wanted to impose external managers. (*Kommersant-Daily*, 4 December)

3 DECEMBER

CHUVASHIYA ADOPTS NEW LAW ON PRESIDENCY. Chuvashiya will have presidential elections on 28 December. Its legislature has just adopted a new law on the presidency which requires the president to have lived in the republic for at least one year and speak 400 words of Chuvash. Both provisions contradict federal legislation. (*Kommersant-Daily*, 4 December)

FEDERATION COUNCIL REJECT YELTSIN PROPOSAL ON AMENDING CONSTITUTION. Amendments to the Constitution require the approval of two-thirds of the regional legislatures, a provision that makes changing the basic law extremely difficult. Yeltsin wants to streamline the process by adding the proviso that if the regional legislatures don't vote on a specific amendment one year after it has been approved at the federal level, then they are considered to have approved it. Federation Council members rejected this proposal as infringing on their rights and now the matter will go to a reconciliation committee. (*Russkii Telegraf*, 4 December)

REGIONAL LEADERS REJECT RATIFICATION OF POWER-SHARING AGREEMENTS, FOREIGN POLICIES. The Federation Council rejected a bill that would force all power-sharing agreements, including those already signed, to be ratified by the upper

house. The presidents of Tatarstan and Bashkortostan, both of whose republics have treaties that give them numerous powers not shared by other regions, rejected the establishment of such a process. Bryansk Governor Yurii Lodkin said that anyone who opposed such a procedure was a "separatist." The upper house also turned down a bill that would have limited the regions' ability to conduct their own foreign policies. (*Russkii Telegraf*, 4 December)

AIDS CONTINUES TO SPREAD IN KALININGRAD. On 3 December there were 1,894 cases of AIDS in Kaliningrad Oblast, up from 1,833 on 13 November. Most of the patients (1,184) are in the 15-25 year-old age range. (*Segodnya*, 8 December)

5 December

LUZHKOVS VISITS LUKASHENKA. Moscow Mayor Yurii Luzhkov was the first Russian regional politician to visit Belarusian President Aleksandr Lukashenka in Minsk since the October scandal when Lukashenka was barred from Lipetsk and Yaroslavl. By signing an agreement with Mogilev, the capital of Lukashenka's home region, Luzhkov clearly wanted to make a favorable gesture to the Belarusian president. (*Kommersant-Daily*, 6 December)

7 DECEMBER

TULA ELECTS NEW MAYOR. Sergei Kazakov, the general director of a Gazprom subsidiary who also enjoyed the backing of the Communist Party, defeated incumbent Mayor Nikolai Tyaglivyi in a runoff, winning 67% of the vote, three times as many votes as his rival (*Izvestiya* and *Rossiiskaya gazeta*, 9 December). He had the strong support of Governor Vasili Starodubstev. The electoral committee has accused the victor of violating provisions of the electoral law on campaign spending and may file charges against him (*Kommersant-Daily*, 9 December).

MOSCOW MAYOR BACKS NEW SOCIALIST MOVEMENT. Moscow Mayor Yurii Luzhkov spoke at the congress of the For a New Socialism movement, calling for a combination of the best of capitalism with "the best of what Russia accomplished during the last 70 years." Despite stressing his support for the new movement, Luzhkov refused to identify himself as one of its leaders. Luzhkov's support, however, could give a new impulse to the creation of a left-center bloc, a spot which is currently vacant on the Russian political spectrum. (*Kommersant-Daily*, 9 December)

8 DECEMBER

REGIONS VIOLATE SEPARATION OF POWER. During the elections to the Marii El legislature last October, mayors and executive branch officials won 18 of 67 seats despite the fact that both federal and republican law forbids people in such positions from being members of the parliament. As a result, the deputies have adopted several laws that benefit executive branch bureaucrats. The legislature also rejected a bill to reduce the size of the republican civil service and use the saved money on education. The republican Supreme Court refused to hear a case in the matter. The Russian Supreme Court ruled the elections illegal on 23 October, but

there have been no changes in Marii El (*Rossiiskaya gazeta*, 8 October). This problem is widespread throughout Russia and recurred even in elections that took place 7 December (see below).

SPECIAL REPORT ON THE 7 DECEMBER LEGISLATIVE ELECTIONS

GOVERNOR NAZDRATENKO SUFFERS SET-BACK IN PRIMORSKII KRAI.

With turnout at 36.16%, Primorskii Krai voters managed to elect all 39 members of the new krai Duma from a field of 286 on 7 December. Only four members of the old Duma, which was staunchly loyal to Governor Yevgenii Nazdratenko, were reelected and 10, including "red directors" from Dalmoreprodukt and Elektrosvyaz, were defeated. These results were clearly a setback for the governor. Perhaps, voters were angry that many apartments still have no heat even though temperatures in the region often reach 20 below. Most of the new members of the Duma are independent candidates, including businessmen and a female teacher. (For a list of winners and their occupations, see *Vladivostok*, <http://vl.vladnews.ru/>, 9 December)

As usual, the main battle was between Governor Nazdratenko and Vladivostok Mayor Viktor Cherepkov, who recently announced his resignation, but will remain in power until new mayoral elections are held in March. According to *Kommersant-Daily* (9 December), Nazdratenko has only a few supporters among the new Duma members, including Deputy Governor Vladimir Ignatenko, the former presidential representative in the region, and Valerii Rozov, a former general in the border guard service who resigned to protest Russia's decision to hand over territory to China in demarcating the border. *Russkii Telegraf* (9 December) gave the governor 16 backers, although many of them are not firm in their support for Nazdratenko. Despite the defeat of the old guard, Nazdratenko's analysts claim that 20 members of the new Duma support him, 10 back Cherepkov and 9 do not have a firm position, although these estimates are optimistic at best.

According to *Russkii Telegraf* (9 December), Cherepkov's backers took 10 of the 12 districts in the city of Vladivostok. Cherepkov called the results "a victory for common sense" and charged that the former Duma's policies had wasted 1 trillion rubles (\$170 million) of municipal resources. The new Duma is likely to launch an attack on the spending of the administration, making life particularly difficult for Nazdratenko.

It remains to be seen how the deputies not directly aligned with Nazdratenko and Cherepkov will vote. The local Communists claim that they won 14 seats in the new legislature, including two of Cherepkov's backers. Local observers are convinced only that the Duma's political future will "not be boring."

The choice of the new speaker, who automatically becomes a member of the Federation Council, will be the first battle fought in the new Duma. The governor's backers will likely nominate Deputy Governor Ignatenko for this position. Cherepkov's supporters are likely to champion Sergei Solovev, a local businessman, as their candidate (*Vladivostok*, 11 December).

Among the more bizarre results of the contest is the election of Artem Mayor Aleksandr Terentev to the Duma. The procurator has filed charges against him for allegedly deceiving

thousands of investors in various schemes (see *IEWS Russian Regional Report*, 20 November). His election is sure to boost further discussions about the problem of criminals seeking public office to avoid prosecution.

A "third force" backed by Presidential Representative in the Krai Nikolai Kondratenko entered the battle late in the campaign but suffered a complete defeat. This group comprised a union of industrialists and entrepreneurs that brought together directors of defense plants, sea ports, and fish processing plants. They complained that the political instability in the krai was adversely affecting the local economic situation and called for an overall restructuring of the krai economy (*Russkii Telegraf*, 4 December).

TITOV FACES MORE AGGRESSIVE LEGISLATORS IN SAMARA. The citizens of Samara re-elected only four members to their Duma, in a clear set back to Governor Konstatin Titov, who had good relations with the former deputies. The majority of the new members come from the business community. Among the winners were Speaker Leon Kovalskii and Samara Mayor Georgii Limanskii, who won his recent mayoral election without Titov's backing. From the opposition, the Communists won two seats, while the Agrarians and the Popular Patriotic Union took one each. Candidates from other parties were defeated (*Kommersant-Daily* and *Rossiiskaya gazeta*, 9 December). Among the new Duma members are 8 members of the executive at the regional and local levels and 7 directors of large enterprises.

During the campaign, 158 candidates competed for 25 seats, about 6 candidates per seat. Commentary in the local press stressed that this figure was extremely high for the region. The battle was extremely intense, with the candidates in tightly contested districts handing out a variety of gifts, from helium balloons to help paying for municipal services. The major groups competing in the race were those connected to natural gas (Vogopromgaz, Mezhtregiongaz, and Samaratransgaz) and the Yukos oil company which is based in Samara. The giant AvtoVAZ plant in Togliatti had only one candidate, apparently assuming that the oblast Duma can do little to help it resolve its debt problems (*Russkii Telegraf*, 4 December).

On 5 December, Titov won the old Duma's approval for the 1998 budget. He fears that the new oblast legislature will be less loyal than the current one and wanted a year to bring the new members into line (*Kommersant-Daily*, 6 December). To win the budget's approval, Titov had to agree to raise spending on social programs, increasing the deficit from 5% to 5.7%. The increase is relatively small by Russian standards.

COMMUNISTS, LEBED BIG WINNERS IN KRASNOYARSK. In Krasnoyarsk Krai, 652 candidates competed for 21 seats in single-member districts and 25 parties competed for the 20 seats distributed by party list. Among the single-member district contests, only Anatolii Bykov, the acting chairman of the Board of Directors of the Krasnoyarsk Aluminum Factory who supports Aleksandr Lebed's Honor and Motherland bloc and was the subject of an *Izvestiya* expose, won his election outright. Only four parties crossed the 5% barrier: the Communists took 8 seats (with 24% of the vote), Lebed's bloc took 5 seats (14%), the Union of Business and Order, backing the oblast administration, won 4 seats (13.5%), and Yabloko earned 3 seats (7.5%), according to *Rossiiskaya gazeta* on 9 December.

During the week before the vote, Gennadii Zyuganov, Grigorii Yavlinskii, and Lebed all visited Krasnoyarsk. These elections are a rehearsal for gubernatorial elections set for April 1998. Despite the results, current Governor Valerii Zubov is considered to be in a strong position, but his opponents obviously want to turn up the heat before the election. Neighboring Khakassiya, where Aleksei Lebed is governor, wants the elder Lebed brother to compete in the gubernatorial race. Lebed's Honor and Motherland bloc ran candidates on the party-list and in every district (*Kommersant-Daily*, 3 December). The Communist Party's Petr Romanov is also from the region. Zhirinovskii sought to win support in the Taimyr Autonomous Okrug, where the ailing giant Norilsk Nickel is located, in a strategy that banked on the dispute between the okrug and the rest of the oblast. Despite its difficulties, Krasnoyarsk's abundant cheap hydro electricity and aluminum production allow the region to remain in the ranks of Russia's donors, making it a prime political plum.

COMMUNISTS WIN BIG IN PENZA. The Communists scored a major victory in the Penza legislature, winning a third of the seats outright, as well as 10 additional sympathizers in the 45-seat body. Turnout was 43%, with rural areas much more active than urban. Among the winners were current and past party leaders (*Kommersant-Daily*, 9 December). Both Zhirinovskii's and Lebed's parties failed to win a single seat. According to *Izvestiya*, the oblast administration made a strong effort to insure that like-minded leftist supporters would win election.

RESULTS TRICKLE IN FROM Khabarovsk, MURMANSK. With 35% turnout, Khabarovsk elected 23 of the 25 members to its new Duma. In two districts, voters opted to vote against all possible candidates. (For detailed results, see the web site of the Khabarovsk Electoral Commission, <http://www.elect.khv.ru/>). Nine members of the former Duma were reelected, including Speaker Viktor Ozerov. The Communist Party of the Russian Federation won 8 of the 23 seats.

The 40% of Murmansk voters who turned out 7 December elected 24 of the 25 members of the regional Duma. Only six members of the former Duma membership were reelected, including Chairman Pavel Sazhinov, the BBC reported. There were 206 candidates in the race. Two Communists, and one member each of Our Home is Russia, and Yabloko won seats. Zhirinovskii's party nominated candidates in every district, but did not claim a single victory. -- Section compiled by Robert Orttung

ST. PETERSBURG'S KIROVSKY ZAVOD SEES FIRST YEAR OF GROWTH

by John Varoli

ST. PETERSBURG - Despite the battering that Russian industry has been taking since the beginning of the 1990s, St. Petersburg's Kirovsky Zavod, one of Russia's largest machine building enterprises, is now emerging from such tough times intact. In fact, production and sales are increasing.

Since the 19th century, when it was known as the Putilov Zavod, the factory has always been one of Russia's largest, primarily producing items for the military, as well as steel for

railroad construction. During the Soviet era it produced the pride of the Soviet army, the T-80 tank, as well as farm tractors. Today, however, Kirovsky officials claim to be 100 percent on civilian footing, and the factory is cited as a rare successful example of conversion.

Four years ago, Kirovsky was on the brink of bankruptcy. Company officials made a breakthrough in 1996, however, when they stopped the fall in production. Robin Pertenava, the company's vice-president and a member of the board of directors, said that by the end of the year total sales will have increased 10 percent over 1996 levels, which reached 1.25 trillion rubles (\$200 million). For 1998, the company predicts another 15 percent increase in sales.

Kirovsky is comprised of 33 wholly-owned subsidiaries, employing 12,000 workers, a figure that is down from 22,000 several years ago. The factory, located in St. Petersburg's southwest district along the coast, even has its own port from which it also earns extra money. Not all of Kirovsky's subsidiaries pull their weight equally, however. About half of the factory's sales comes from the Petrostal Steel Plant. It produces rolled steel products, most of which are sold to the Russian auto industry. About 25 percent of Petrostal's production is exported, but factory officials hope to increase this amount.

Another subsidiary, the St. Petersburg Bus Factory, has recently been closed. In its place has arisen a joint-venture with the Hungarian bus manufacturer, Ikarus, appropriately called, Ikarus-Kirovsky Zavod. It will produce the new Ikarus 415 model bus. Analysts think this new company is well-positioned to win the city's upcoming bus tender to be worth \$36 to \$60 million each year for the next four years. In that time, the city hopes to purchase 1,500 new city buses.

Despite these recent improvements, which seem quite impressive against the overall depression in Russian industry, analysts point out that it is still too early to declare that Kirovsky has entered a period of prosperity. "Though Kirovsky is now registering growth, I am not overly optimistic that the worst times are behind the company and that it has entered a period of protracted growth," Denis Askinadze, an analyst at Hansa Investments in St. Petersburg said. When Kirovsky was privatized in November 1992, pundits thought that the giant defense factory would not be able to find a niche in the market economy and would go the way of the dinosaur.

Due to the depression in the Russian agricultural sector, Kirovsky could not rely on its other main staple, farm tractors, to pull the factory through tough times. While Kirovsky was previously one of the USSR's chief tractor manufacturers, now it has only 7% of the shrinking Russian tractor market, according to Hansa Investments.

But a combination of capable factory management and talented R&D has turned the company around. Diversifying production was the key to survival. Amidst a sharp decline in production, which in 1992 dropped 90 percent from 1991 levels, the company converted very quickly from military and tractor production to those types of civilian production that the market demanded.

Between 1992-94, Kirovsky launched 22 new vehicles which were specifically designed for the forestry, construction, and especially the gas and oil industries. "We have chosen to work with Gazprom and the oil drilling industry because we see a big future market in this area," Kirovsky CEO Petr Syemenenko said in an interview with the St. Petersburg weekly, *The World of Money*.

The apparent catastrophic drops in production that Kirovsky and many other factories suffered in the 1990s are often mind-boggling to the outsider. But officials in the industry say that such a decline was natural in the transition to a market economy. "In Soviet times, the absurd nature of the command economy pushed production levels up artificially. Now, in a market economy, people think before they act, and count their pennies," said Pertenava. Kirovsky has reoriented itself to the market, he added, and "there is now more emphasis on quality, and not on quantity as in Soviet times."

Unlike the directors at some of the other leading St. Petersburg machine building plants, Kirovsky management has kept control of its factory. Management and employees own 51 percent. Promstroibank-St. Petersburg owns 13.6 percent, and Credit Suisse has a small stake. The oil company, Rosneft has 4 percent, with its own man on the board of directors. When the topic of a possible new stock issue is brought up, analysts and Kirovsky officials say there will be none soon. "Management is very interested in keeping control of the company, and do not want a new issue to dilute that control," said Askinadze.

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PATTERNS OF REGIONAL DEVELOPMENT

NEW REGIONAL RANKINGS PUBLISHED. The Moscow-based *Ekspert* magazine (owned by Vladimir Potanin's Uneximbank) has published its second annual survey of the Russian regions. The full text, including numerous tables and graphics, is available at the magazine's web site (<http://www.expert.ru/>).

Compiling such a survey ranking Russia's regions 1-89 on a variety of measures naturally requires processing a huge amount of information. The analysts looked at everything from the availability of natural resources, production capabilities, infrastructure, and consumer markets, to innovativeness and intellectual potential. One can question whether a publication owned by one of Russia's most aggressive and politically well-connected banks can produce an objective survey, but the report is useful in giving an overall picture of the land.

In this year's overall rankings, taking into account a region's natural resource base, the city of Moscow displaced Sverdlovsk Oblast in the top spot. Moscow ranked first in all categories, except natural resource wealth where it was 88 out of the 89. Rounding out the top ten are: Moscow Oblast, St. Petersburg, Sverdlovsk Oblast, Kemerovo Oblast, Rostov Oblast, Krasnodar Krai, Samara Oblast, Chelyabinsk Oblast, and Saratov Oblast.

The regions showing the greatest improvement in investment attractiveness included: Saratov, Murmansk, Amur, Chelyabinsk oblasts, and Krasnodar and Primorskii Krai. Despite the continuing political instability in Primorskii Krai, it improved its rating because of its better infrastructure, institutional base, and consumer buying power, while the analysts were better able to take account of its intellectual and innovative potential. The regions showing the greatest drop were Ryazan, Northern Osetiya, Tula, Vladimir, and Tver.

Investment risks dropped significantly in Saratov, Orel, Orenburg, Amur oblasts, and Primorskii and Khabarovsk krajs.

Novgorod, Tver, and Tatarstan have the best local legislation, while Saratov, Amur, Vladimir, and Irkutsk have made the greatest improvements in this area. The latter regions are likely to see increasing investment in the near future.

The survey concluded that many regions have considerable unused potential that can be tapped with the use of relatively few resources and that the "investment image" of the region is extremely important. Among the regions overlooked by foreign investors, the survey lists Yaroslavl, Kabardino-Balkariya, Murmansk, Ulyanovsk, and Kursk as the top five. - Robert Orttung

NORILSK AND KRASNOYARSK MAKE ECONOMIC PEACE. The joint stock company Norilsk Nickel signed a cooperation agreement with the region's industrial enterprises as a result of a two-day meeting on 14-15 November. Several years ago, the traditional North-South ties were broken, cutting off residents of the Norilsk industrial district from the rest of Krasnoyarsk Krai. Consumer goods, food products, spare parts, and fuel, previously transported up the Enisey river, had to be shipped via the Arctic. Simultaneously, Norilsk Nickel lost the Russian market for its nickel and cooper. In fact, the London commodities exchange bought most of its products, monopolizing demand and thus dictating its will to Norilsk. Supply of ferrous metals, therefore, became dependent on world market price fluctuations, often costing Norilsk considerably.

Dependency on world markets has adversely affected Norilsk residents. Formerly fairly well off, they now hardly make ends meet. Salaries barely cover food and rent, and few have been on vacation outside their area in more than five years. Having become economic hostages, they were also seemingly abandoned by the authorities. Most cannot afford to migrate out of Norilsk. Additionally, expensive shipping practices have caused consumer prices to skyrocket. Angry residents began to demand the separation of Norilsk, as a part of Taymyr Autonomous Okrug, from the rest of Krasnoyarsk Krai. Similar processes were taking place in other territories of Russian North. But redrawing the boundaries would have caused only more instability.

Negotiations between Krasnoyarsk and Norilsk continued for over two years. Meanwhile, several intermittent agreements addressing some of the problems have been signed. Still at times the tensions would ride so high that Norilsk would refuse to pay regional taxes, depleting the krai treasury, and thus denying its pensioners, teachers and physicians their wages.

Finally, the krai government backed down, making a compromise possible. Tariff fees for transporting agricultural products on the Enisey were lowered. In turn, Norilsk paid in full for all the goods delivered. Lower tariffs, furthermore, enabled the shippers to increase cargo turnover. Finally, on 14 November a high level delegation composed of local government and industry leaders arrived in Norilsk to negotiate concrete deals.

In total, Norilsk signed 3 trillion rubles (\$515 million) worth of deals with Krasnoyarsk enterprises. For example, while Krasnoyarsk's Sibtyazhmash will be supplying Norilsk with various industrial production machinery, the latter will return the favor by shipping tons of scrap metal as raw material for the Sibstal steel plant, also in Krasnoyarsk. This particular deal will amount to 36 billion rubles (\$6.2 million). Additionally, some of Norilsk's products will be sold to pay back its tax debt to the regional budget.

Following the example of Enisey shipping companies, Krasnoyarsk cargo airlines also plan to lower their rates. This will further facilitate shipping traffic between Norilsk and the rest of the krai, enabling some Norilsk residents to migrate to the south or go on vacation.

Over 30,000 pensioners currently supported by Norilsk Nickel could get by at one tenth the cost were they to move to more southern parts of Krasnoyarsk. As a part of a joint Norilsk-Krasnoyarsk "North-South" housing program, several thousand Far North residents will be resettled annually either in the Krai's southern regions or elsewhere. Housing and jobs are being created for the Northern migrants in the towns of Kamsk, Minusinsk and Nazarovo, but relocation is still going slowly due to scarce funds.

In addition to agreeing on provisions for migration policies, the two sides agreed on a common economic and investment policy and decided to hold similar meetings semi-annually.—Sergey Bondarev in Krasnoyarsk

IRKUTSK DEVELOPMENT POLICY CONSIDERED. Representatives of various Russian regions gathered at a special roundtable on municipal development strategies at the 18-21 November International Forum "The Man and the City" in Moscow. St. Petersburg's development policy was cited as exemplary, but Irkutsk was praised too. After all, Irkutsk city government began drafting its development policy a year ago. The first challenge was to establish the legal basis for a real estate market in the city. So far, a zoning and construction code has been adopted, as well as various registration regulations. Additionally, realtor and appraisal activities are burgeoning in Irkutsk. According to Leonid Oshcherin, chairman of the city planning and development committee, Irkutsk can take one of several development paths. The most desirable option is to transform the city into a key business, financial and tourist center, which would in turn enable the local light and food processing industries along with the service sector to thrive.

Irkutsk attracts tourists not only with the natural beauty of the Angara river and Lake Baikal, but also with its antique crafts tradition and its historical monuments. Unfortunately, many historical sites are in terrible condition today and their restoration could cost up to 2 trillion rubles (\$345 million). Indeed, the International Foundation for the Protection of Monuments has offered to help Irkutsk in its efforts. However, Oshcherin thinks that the city must not rely on outsiders' promises and should encourage investment by creating favorable conditions.-- Ekaterina Vorobeva (Teleinform) in Irkutsk

CENTER-PERIPHERY RELATIONS

MITINA REPLACES KAZAKOV ON ADMINISTRATION STAFF. President Yeltsin replaced Aleksandr Kazakov, the first deputy chief of staff of the presidential administration who was sacked following the revelation that he and some of his colleagues had taken a hefty advance for writing a book on privatization, with Viktoriya Mitina. She will take over regional affairs inside the administration.

According to a report in *Kommersant* weekly (2 December), Mitina has very strong ties to Yeltsin's family and Yeltsin's daughter Tatyana traveled to Zelenograd in Moscow Oblast to celebrate her birthday on 18 August. First Deputy Prime Minister Anatolii Chubais had invited

her to work in the administration immediately after the 1996 presidential elections, when he was chief of staff, but she rejected the offer then.

After graduating from Moscow State University in 1972, she worked in an electronics laboratory at the Mikron factory in Zelenograd until 1990. In 1988 she was an activist in the Democratic Platform within the Communist Party of the Soviet Union and in 1989 helped elect Yeltsin to the USSR Congress of People's Deputies. In 1990 Mitina was elected to the Zelenograd Soviet. In 1991 she became the first deputy prefect of the Zelenograd region of Moscow and handled issues of industry, science, entrepreneurship, land, privatization, and relations with the media and political organizations. She has been active in Yeltsin's other campaigns, handling relations with the regions, media, and Yeltsin's network of supporters.

Mitina wants to reorganize the presidential administration because she believes that it is currently improperly structured. Now there are sections that deal with the president's activities, federal policy, regional policy, and international policy. She believes that there should be greater links between these areas for optimal mutual understanding.

She sees her major task as implementing a system of relations with the regions that will unite Russia rather than divide it, as she believes the situation stands today. She will focus much of her energy on helping the regions prepare for executive and legislative elections. The goal is to win a Federation Council that serves as a "constructive and stabilizing" force in Russian politics, unlike the State Duma. She believes a third term for Yeltsin would benefit Russia and hopes to find a common language with Russia's regional leaders. - Robert Ortung

BRYANSK VODKA BOSS FORCES YELTSIN TO AMEND DECREE

by Alex Levinsky, *Bryanskoye Vremya*

BRYANSK—The director general of the large alcoholic beverage distributor Bakhus, Boris Senov, took President Yeltsin to court and forced him to amend a decree that allowed the government to collect the tax debts of factories from independent firms that distributed their products. On the day of the hearing in the Constitutional Court, 17 November, the president's representative, Sergey Shakhray, brought a new decree, signed by the president two days earlier, superseding the previous one.

Senov, a lawyer by training, said that he applied to the Constitutional Court after the local tax police froze his bank accounts to recoup the 2 billion Ruble (more than \$340,000) debt owed by the local liquor plant. Senov's enterprise merely sells the plant's products. Senov pointed out that he did not have any complaints against the tax police because they were merely carrying out the president's 1993 decree.

Senov initially won his case in the local commercial court which ruled that the president's decree violated the Tax Code. Despite his victory, he feared that the problem would arise again, so he insisted that the oblast Duma support a follow-up application to the Constitutional Court. Senov believed that it was necessary to get the Duma's support "because a request by a director or simple citizen would have trouble getting a hearing, while the Duma appeal would carry more weight."

He explained that the decree was unconstitutional because the President had exceeded his rights: Taxation is the prerogative of the State Duma and the Federation Council. Unlike the vodka bottler, his enterprise, he claimed, owed the state budget nothing and therefore should not have had to pay anything.

Shakhrai presented the new decree noting that it was necessary "to bring the president's decree in line with the laws of the Russian Federation". He insisted that in 1993, before the new constitution had been adopted in the wake of the battle between Yeltsin and the Supreme Soviet, it made sense for Yeltsin to issue the decree. Mr. Senov argued that conditions were greatly changed in 1997 from what they had been in 1993, but expressed satisfaction that "the President had recognized his mistake." With the new decree in place, Senov asked the Court to drop the case.

SOCIAL ISSUES

INTERNET SURFERS PROTEST PHONE RATE HIKE IN BRYANSK

by Alex Levinsky, *Bryanskoye Vremya*

BRYANSK—Anyone who tried to download material from the Bryansk Oblast administration server (<http://www.admin.bryansk.ru>) on the World Wide Web on 20 November saw instead an angry banner announcing that "A pay-by-the-minute system will kill the Russian Internet". The message advertised a protest set for two days later. At the appointed time, about a dozen computer system administrators picketed the oblast administration in Lenin square and buried an old modem in the snow near Lenin's statue, erecting a wooden cross above it. The target of the protests was the introduction of new pay-by-the-minute telephone fees in the city.

The new pay-by-the-minute plan will hurt oblast residents who like to surf the Web because the phone company is planning to introduce high fees for its customers who make more than 20 minutes of local calls a day. For those who spend hours on the Web, connected by modem through the city's telephone lines, the cost increase means professional death. Currently Bryansk residents enjoy unlimited local calling free of charge as part of their standard service.

During the protest, the director of the oblast administration's Information Systems Department, Andrei Gvozdik, and Svyaz-Service (the only Internet access provider in Bryansk) administrator Yurii Chernykh fought a "virtual battle" with an unknown hacker who broke into the Internet server.

As Gvozdik explained, the hacker chose to put his protest message on the administration home page, which usually contains information about oblast life, because it is relatively popular: The number of hits from Russia and the rest of the world is about 200-300 a day. The hacker could be sure that a large number of "internet citizens" would learn about the planned protest.

The easiest way to remove the protest would have been to switch the server off and then delete the corrupted files. But Gvozdik and Chernykh tried to track down the hacker in order to ban on-line access for the Internet service provider which gave the hacker his initial access. For some time, the fought a real cyberbattle on the Web: The hacker tried to take

control of the administration's server, while the employees of the department were copying the necessary directories. As soon as the hacker realized the futility of his attempts, he tried to erase valuable data from the administration's server, but eventually surrendered and e-mailed a threatening note to those who had interfered with him.

The experts explained that the administration's server was vulnerable to attack because the authorities lacked the means to purchase defense systems against pernicious intruders. Nevertheless, they hope to defend the system, especially on 20 December when another, and more aggressive, nation-wide action is planned. Organizers of that protest are threatening to shut Russia's main servers. Gvozdk emphasized that there was no "hundred per cent guarantee" that he could protect the servers from future invaders.

TATARSTAN'S VICE PREMIER FACES CORRUPTION CHARGES. A recent investigative article in *Kazanskoe vremia* (5-11 December) uncovered a customs violations scandal involving Tatarstan Vice Prime Minister Vladimir Shvetsov. According to the article, the Moscow-based Plimut and the Istanbul-based Maveria signed a trade agreement on 5 October, according to which the Turkish side would ship to Russia jeans and other consumer goods at the rate of \$1.60 per kilogram. However, the agreement outlined a somewhat strange shipping route: instead of transporting the goods from Istanbul to Moscow (1,847 kilometers), they would ship them to Kazan (2,718 kilometers) and only then to Moscow (an additional 800 kilometers). Also, Maveria's chief executive, Kozgan Iazgan, denies ever signing the agreement or shipping the goods. Either way, the first shipment arrived in Kazan airport on 15 October, at which point the jeans were loaded on to trucks and sent to Moscow for customs inspection. A fax confirming arrival of the cargo to the appropriate warehouse was received in Kazan, but the local customs officials decided to play it safe and double-check with their Moscow colleagues. Moscow customs reported that they never received the goods. Naturally, the question is: why did the Kazan customs office not inspect the goods and who made the director of Kazan airport grant the cargo a special landing permit?

The newspaper found the answer in the person of a certain Moscow transport company manager, Mr. Malakhov, who had met director of the Kazan airport in a Turkish resort some time back. The airport director invited Malakhov to Kazan where he introduced him to his patron Vladimir Shvetsov, the third man in government. Shvetsov, who as part of his work overseeing the republic's transportation system chairs the airport board, in turn introduced Malakhov to President Mintimer Shaimiev. The newspaper believes that Shvetsov then sponsored Malakhov's dealings in Tatarstan.

Furthermore, the newspaper reported the finding of the Naberzhniye Chelny procuracy, which investigated the Kamdorstroi construction company, also headed by Shvetsov. While the company's employees have not been paid for 5 months, Kamdorstroi's top managers have been using the company's money and resources to build luxury homes both in Kazan and near Moscow. Since Shvetsov's involvement on the boards of commercial companies contradicts the law on state service, the Naberzhniye Chelny procuracy plans to petition the Tatarstan republican procuracy to open a case against the official. The latter agency is already considering a 110 million ruble (\$19,000) embezzlement case against Tatarstan's Roads Fund, whose chairman also happens to be Shvetsov.

Despite the huge amount of evidence against Shevtsov, local observers believe that President Shaimiev will ensure that he is prosecuted.--Midkhat Faroukshine in Kazan

RADIOACTIVE DANGER IN MOSCOW OBLAST. The environmental conditions of Moscow oblast often leave much to be desired, especially in terms of radiation pollution. During the 70 years of Soviet power, Moscow oblast housed defense enterprises and scientific research sites which conducted environmentally dangerous, if strategically important, experiments. While the arms race is long over, its side effects can still be felt. Several Moscow oblast research institutes still store radioactive waste and sources of dangerously high radiation. One can find large amounts of radioactive slag on the territory of some industrial plants. Hidden and long-forgotten radioactive waste burial sites are often accidentally discovered during the construction of residential buildings and even bus stops. Unfortunately, while the situation continues to deteriorate, neither the oblast administration nor private citizens have sufficient information on the subject.--Denis Makarov in Moscow

BUSINESS BRIEFS

-- Sweden's **ERICSSON** plans to invest between \$80 million and \$100 million in Russia during 1998, mostly in production facilities in Zelenograd (**MOSCOW OBLAST**) and **NIZHNI NOVGOROD**. The firm hopes to sell up to \$1 billion worth of goods in the country by 2000 and therefore is willing to abide by the Communication Ministry's request to invest in Russia. Japan's **NEC** and the American **LUCENT TECHNOLOGIES** began production projects in Russia this year in **ST. PETERSBURG** and the South Korean **LG** is working in **MOSCOW**. **ALCATEL** has revived a project in St. Petersburg and **ITALTEL** is working in **SAMARA**. **NOKIA** is considering entering the market as well. (*Kommersant-Daily*, 2 December)

-- Both South Africa's **DE BEERS** and **ALMAZY ROSSII-SAKHA** are competing for the rights to develop the Lomonosov Diamond Field in **ARKHANGELSK**. However, local authorities, led by Governor Anatolii Yefremov, want to maintain substantial control on how the field is exploited. To attract outside investors, Arkhangelsk authorities are lobbying the federal government to release survey data on what treasures the site holds. Until now this data has been kept secret for security reasons. Yefremov is also pushing to include the site on the next list of deposits submitted to the Duma for development on the basis of production-sharing agreements. Developing the deposit will require an estimated \$745 million. The deposit holds an estimated \$12 billion worth of precious stones which can be extracted over 40 years, with an annual take of \$300 million. If these figures prove correct, the site will produce 20-25% of the output of **SAKHA**, Russia's major diamond-producing region. (*Kommersant-Daily*, 3 December)

-- The British **TRANS WORLD GROUP (TWG)** controls a significant share of Russia's aluminium business. Its holdings include 54% of the Bratsk Aluminum Factory, more than 20% of the Novokuznetsk Aluminum Factory, 32% of the Novolipetsk Metallurgical Combine, 18% of the Sayansk Aluminum Factory, 13.4% of the Magnitogorsk Metallurgical Combine, 11% of the Krasnoyarsk Aluminum Factory, and 12% of the Novosibirsk Electrode Factory.

According to *Kommersant-Daily* (3 December), TWG is facing considerable challenges to its positions in these factories as their Russian directors seek greater independence.

-- Moody's has given **MOSCOW OBLAST** a Ba3 rating for its Eurobond issue early next year. **SBC WARBURG, GOLDMAN SACHS,** and **UNIKOMBANK** will manage the \$300-\$400 million issue. The issues was postponed from October-November 1997 because of the financial crisis on world markets. (*Russkii Telegraf*, 5 December)

-- **ST. PETERSBURG'S** bankers have signed a general agreement with the Association of Bankers of Great Britain to help increase the prestige of the banking sector, develop norms for banking oversight and regulation, and protecting banks from illegal activities. (*Segodnya*, 4 December)

-- **CREDIT SUISSE** has chosen **MOST-Bank** to help sell its mutual funds in the Russian regions. It will focus on large cities, starting with **MOSCOW, ST. PETERSBURG,** and **YEKATERINBURG.**

-- **SAMARA** Governor Konstantin Titov believes that his region should establish an automobile manufacturer that can serve as an alternative to the existing giant **AvtoVAZ,** which makes 70% of Russia's cars. He is negotiating with Germany's **VOLKSWAGEN** about opening a plant in AvtoVAZ's hometown of Togliatti (Samara Oblast) to make mid-size cars, small trucks, minivans, ambulances, and police cars. Basing the Volkswagen plant in Togliatti will allow it to take advantage of the inevitable staff reductions that AvtoVAZ will have to implement to improve its profitability. Titov has offered to free the project of most of the oblast's taxes and invest some of the income Samara expects from issuing Eurobonds in it. Titov suggested that Toliyatti officials were incapable of closing a deal with the German carmaker so he was taking the lead. He noted that AvtoVAZ's plans to produce Samaras in Finland had not proven themselves and that plans to work with Opel in Vyborg (**LENINGRAD OBLAST**) would not create local jobs. (*Rossiiskaya gazeta*, 6 December)

-- The **SAMARA OBLAST** administration has developed a draft law to support small business in the region. The bill lays out ways that the administration can give small businesses buildings and land, procedures for small businesses to participate in competition for state orders, measures to protect the businesses against unfair competition, and others. (*Delo* [Samara], 2 December)

-- **SAMARA'S AVIAKOR,** with the help of Governor Titov and Prime Minister Viktor Chernomyrdin, is continuing negotiations with **BOEING** about the possibility of deepening their cooperative ties. (*Delo* [Samara], 2 December)

-- Already serving **MOSCOW** and **ST. PETERSBURG,** **SWISSAIR** is now considering adding flights to **SAMARA,** where **NESTLE** owns two chocolate factories and Swiss bankers

are interested in investing. The airline is also keen to start service to **NOVOSIBIRSK**. During the past five years, the percent of Russian passengers on its flights has risen from 5% to 30%. (*Kommersant-Daily*, 9 December)

-- The Dutch Publishing House **VNU** will buy a 35% stake in **INDEPENDENT MEDIA**, the company that publishes the *Moscow Times* and the *St. Petersburg Times*. Current shareholders Derk Sauer, Annemarie van Gaal and Novamdia Group will retain a 55% controlling stake. **MENATEP** bought 10% of the company last year. (*St. Petersburg Times*, 8-14 December)

ECONOMIC ISSUES

SMALL BUSINESS IN MOSCOW. A celebration of small business in Moscow ended on 4 December. According to Mayor Yuri Luzhkov, the city boasts 551,000 small businesses and 6,000-8,000 new ones open every month. They account for 15% of the city's industrial production and 50% of the city budget. The small businesses usually pay their taxes whereas large firms tend to owe the city huge sums. Moscow plans to develop a program on small business development for 1998-2000 by the end of this year. (*Finansovye izvestiya*, 4 December).

LEGAL ISSUES

FOREIGN FIRMS EVADE TAXES IN KARELIYA... According to the newspaper *Gubernia* (4 December) published in Petrozavodsk, Karelia's tax agency has concluded that many foreign companies working in the republic try to evade paying taxes. Out of the seven foreign construction firms audited in 1997, five were caught breaking tax laws. Additionally, tax authorities caught four foreign firms who never registered for taxation purposes. Currently 23 foreign construction firms operate in Karelia and 63 firms work in the timber industry; and most of them are not registered with tax authorities. There are recorded instances when firms would complete (or at times not complete) multi-million dollar projects and leave without paying a ruble in taxes. For example, the Finnish company Orel in cooperation with Karellesprom exported Karelian timber and started building a factory in 1994-95, but left without paying taxes or finishing the factory building. Similarly, the Yugoslavian firm Rada built the Sberbank building in Petrozavodsk and left, owing 567 million rubles (\$98,000) and \$570,000 in taxes. Out of 32 foreign firms currently active in Petrozavodsk, fourteen evade paying local taxes. Current legislation leaves the tax inspectorate powerless if foreign companies do not register for tax purposes. However, cooperation among various government agencies could in principle insure proper control over foreign firms' operations and improve tax collection.-- Valeri Ianovski in St. Petersburg

... AND IN SVERDLOVSK OBLAST. According to the local economic journal "Russia's Taxes," 150 foreign entities are currently registered with Sverdlovsk tax authorities. Yet, there seem to be many more foreign firms represented in Yekaterinburg. The discrepancy is due to

the failure of many Western companies to register with the tax inspectorate. Two such companies are the German airline Lufthansa and the US-based PanAm Pharmaceuticals.

According to the latest audit of Lufthansa, the tax inspectorate ordered it to pay 82 million rubles (\$14,000) to the oblast budget in taxes and penalties. It must be noted that the airline's profits from operating international flights are tax-exempt in Russia, according to a Russian-German treaty aimed at avoiding double-taxation. Any kind of commercial activity outside the normal flight operation, however, is taxable. Back in 1995 the Yekaterinburg office of Lufthansa received money from the American Business Center to finance a Bavarian Cuisine Day in the Urals. Additionally, revenue has been raised as a result of the sale of vodka and equipment, which classifies as commercial activity.

In a similar conflict the tax inspectorate clashed with PanAm Pharmaceuticals. The US company made an agreement with the Russian firm Farmatsia to supply it with medical goods. Tax audits showed that PanAm Pharmaceuticals used all the profits from the sale for internal purposes, avoiding paying taxes on the profit. As a result, tax inspectors ordered the company to pay 409,738,000 rubles (\$70,000) in back taxes and penalties for under-representing the real levels of profits in company books. Arbitrage courts twice considered the petition by company's management and found the inspectorate's findings sound. Consequently, the tax authorities froze the company's hard currency accounts in Moscow. Soon after that PanAm Pharmaceuticals closed its Yekaterinburg office.

Of course these cases are exceptions. Most foreign firms try to be on the right side of the law when it comes to tax collection. Unfortunately, the tax laws themselves are far from perfect and discourage economic initiative, a topic currently under debate in the state Duma.--
Dmitry Strovsky in Yekaterinburg

FOREIGN INVESTMENT ROUND-UP

PETERSBURG APPEALS TO INVESTORS, BUT PROBLEMS REMAIN. Despite the fact that it only collects 4% of foreign investment in Russia, St. Petersburg is an ideal location for investors, according to a report in *Russkii Telegraf*. The city has adopted a deficit-less budget on time, begun reforming the housing sector, collects almost 100% of its taxes, and has paid off all wage and pension arrears. Governor Vladimir Yakovlev is even dropping a tax whose proceeds go for education, and will lower the profit tax from 20% to 19% in 2000 (it was 22% in 1997). The EBRD is putting up \$150 million for a third terminal at Pulkovo airport and the World Bank is financing reconstruction of the historic downtown to the tune of \$300 million. Yakovlev is building a new ring road and participating in a \$270 million high-speed railway to Moscow. He also plans to reconstruct the city's sea port. Among the major foreign projects begun are an oil terminal by the Finnish company Neste, the construction of 25 Royal Dutch Shell gas stations, and 30 McDonald's. Radisson SAS and Hilton are planning to build four-star hotels in the city, and Intercontinental intends to open a five-star hotel.

Nevertheless, direct foreign investment in the city has been dropping. The overall figure for 1996 is expected to be \$136 million, down from \$145 million in 1996 and \$155 million in 1995. Portfolio investment in 1997 is expected to be about \$34 million, for an overall 1997

total of \$170 million (*St. Petersburg Times*, <http://www.spb.ru/times/>, 8-14 December). Yakovlev is hoping for \$400 million in 1998.

Despite these successes, approximately 816,000 city residents are waiting to be given state housing. Yakovlev has said that the budget can only pay for about 10% of the construction necessary to solve the problem. For each of the last two years the city has built about 800,000 square meters of new housing. A law on mortgages has yet to be adopted, so this is not an option. Among other possibilities, Yakovlev is seeking help from countries such as Finland, Sweden, Germany, and Japan. (*Segodnya*, 4 December)

NOVOSIBIRSK FOREIGN INVESTMENT UPDATE. According to the press-service of the Novosibirsk oblast administration, \$93.2 million and 5.4 billion rubles (\$930,000) have been invested in the region's economy as of 1 October 1997. Hard currency investment in the Novosibirsk oblast economy mostly takes form of direct investment (about 49.6% of the total), while 90% of ruble investments were in the form of charter capitals of joint venture enterprises or foreign-owned companies. The main sources of investment are Cyprus (46.6% of dollar investment), the United States (32.2% of dollar investments), and Turkey (66.7% of ruble investment). In terms of sectoral breakdown, food-processing companies enjoyed \$43.4 million, or 46.5% of dollar investments, while retail firms claimed \$30.9 million, or 33.2% of dollar investments. Most of the ruble investments were targeted toward the timber industry (66.7%). The oblast also exported capital--about 400 million rubles (\$70,000) and \$23.9 million (of which \$10.5 million, or 43.9%, were invested in Bulgaria, and \$10.6 million, or 44.4%, in the US).--Konstantin Kanterov in Novosibirsk

SVERDLOVSK FOREIGN INVESTORS TURN TO INDUSTRIAL PRODUCTION. As of December 1997 there were 606 entities with foreign investment in Sverdlovsk oblast, the press center of the regional administration reported. Slowly but surely small players, in for a quick fix, are being weeded out from the Middle Urals market by competition. If in 1993 there were 188 such firms registered, then by 1994 only 119 were, and by 1996 just 81 remained. However, the decrease in the number of investment firms does not translate into lower overall rates for foreign investment. Simply, foreign investment flow is becoming more focused, which testifies to the seriousness of investors' intentions and their long-term vision. Since the beginning of this year foreign investment in Sverdlovsk Oblast amounted to over 180 billion rubles (\$31 million). Most of that came from Slovakia (992.7 million rubles), China (242.2 million rubles), Great Britain (233 million rubles), India (232.4 million rubles), and the United States (200.5 million rubles).

The great mass of investment in the oblast economy centers on Yekaterinburg. To date 457 companies with foreign capital are registered in the city, or 70.4% of the oblast total. One interesting trend of late is that joint venture companies have been switching from retail and consulting service to industrial production, which testifies to the growing stabilization of the market and the existence of necessary guarantees in the banking and financial sectors. In part the shift can be explained by the oblast's high concentration of natural resources and industrial potential. The shift can be noted not only in the capital, but in other cities, too. Nizhnii Tagil today houses 212 joint ventures in industrial production, while Zarechniy has 11, Pervouralsk

has 10, and Kamensk-Uralsk has 8. Sectoral analysis shows that the lion's share of foreign capital is allocated to retail, food service, industrial production, construction, communications, technical retail, and general commercial services supporting the functioning of the market.

Of all the joint ventures in industrial production, foreign investors prefer machine-building (accounting for 41% of the total number of enterprises), timber processing (21%), ferrous metallurgy (14%), and light and food industries (10%). Interestingly, however, most joint ventures register as retail enterprises, consulting companies, construction firms, or producers of consumer goods, to hide their true purposes. Most likely, they do not want to attract the attention of potential competitors and hide their involvement in industrial production behind retail or consulting facades.--Dmitry Strovsky in Yekaterinburg

SARATOV LAND LAW ATTRACTS INVESTORS... Saratov's new Land Law makes foreign investors happy. As the ownership, transfer, rent, and inheritance of land was legally defined in the 1997 act, investment interest in Saratov oblast has jumped to a new level. Consider the recent visit by Swiss businessmen, led by the president of the Zurich-based LEV bank, Adolf Brendly. The Swiss are looking to open a joint agricultural venture in Saratov oblast. In another case, representatives of the American firms Cushman and Wakefield, US Capitalinvest Bancorp, and Edward and Kelsey spoke to Governor Dmitrii Ayatskov of their readiness to invest up to \$1.5 billion in the region, particularly in the areas of oil and gas extraction. Vice President of US Capitalinvest Bancorp, Mr. Agish, said that he and his colleagues asked the State Duma to adopt a law requiring 70% of earnings to remain in the home-region of the venture for the development of social infrastructure. This is how they plan to work in Saratov today. Talks ended on 28 November with a signed agreement.

Heads of municipal administrations (also present at the talks) proposed several projects, and a plan for their execution was developed. For example, a large car service and hotel center will be created in Balashov, an important road juncture connecting the country's central and southern provinces. In Balakovo, a bridge will be built to connect the mainland with the island part of the city. Americans further want to complete an old unfinished project which includes a water and amusement park. A large financial group expressed interest in financing the reconstruction of Saratov's international airport as well as its river port. Another proposal is a five-star hotel and a modern business-center, complete with an underground garage and state of the art telecommunications services. In early December the French bank Credit Agricole Indosuez will launch a pilot project under the TACIS program to develop farming enterprises and modern production techniques in growing sugar beets.

Saratov oblast also opened up offices in New York in July 1997 and in Budapest in November, in order to encourage investment, adopt modern foreign technologies, create joint ventures, and foster friendly relations with other countries. Currently, plans are in the works to open similar representations in China and Greece. When Boris Shinchuk, responsible for foreign economic relations in the oblast government, recently visited Germany he signed an agreement to open a Saratov office in the region of Thuringia with the help of the Chamber of Commerce and Industry. Oblast representations abroad serve the very important function of attracting potential partners and spreading information about Saratov oblast around the world.--Aleksandr Nesterov (Agency Evropa) in Saratov

... BUT OBLAST HAS A LONG WAY TO GO. Listening to discussions at a typical Saratov oblast government meeting one gets the impression that the region is making steady progress. The fall harvest was pretty good. The 1998 budget was adopted with no projected deficit. Only domestic investments are slacking, but even they should be improving soon.

In a recent report, Minister of Economic and Investment Policy Aleksandr Stepanov noted that during the last five years of reforms most economic indexes in the oblast dropped below the Russian average as well as below the average among Volga regions. While industrial production declined by 39% in Russia as a whole, the comparable index in Saratov was 56%. Similarly, gross agricultural product declined by 32% and 38% in Russia and Saratov oblast respectively. Now, the decline has been halted overall, with some industries, such as fuel, chemical and petroleum, even experiencing a slight increase in production. Gross agricultural product has gone up by a third during the first nine months of the year in comparison with last year. The volume of retail trade also increased and twice as many housing projects have been completed as last year. Unemployment in the oblast is on the decline and the quality of life has "somewhat improved," as the population's incomes have gone up by almost 30% and savings increased too. Still wage arrears amount to 792 billion rubles (\$137 million).

Given this record, predictions for 1998 are even more optimistic. Incomes should rise even higher, by at least 10%, along with industrial production and social infrastructure. But much will depend on the region's ability to attract investments. Saratov's appeal to investors is considered high today, but much work needs to be done on the appropriate local and federal legislation.--Aleksandr Nesterov (Agency Evropa) in Saratov

FOREIGN TIES

BALTIC PIPELINE PLANS PRESENTED. An international consortium of 10 Russian and Western oil companies presented plans to build a pipeline from the Timano-Pechora oil deposit located in the Komi Republic and Nenets Autonomous Okrug either to a new Russian port in Primorsk (Leningrad Oblast) or to the Finnish oil terminal at Porvoo on the Gulf of Finland. Most of the Russians involved insist that the pipeline must go through Primorsk, but a final decision on the pipeline's route has not been made. The route of the pipeline will have a major impact on the capacity of the Primorsk port when construction is completed. (*Russkii Telegraf*, 5 December)

Initially, the pipeline could carry 7 million tons a year and by 2010 its capacity could be as high as 30 million tons. The pipeline to Primorsk will be 2,718 km long, of which 1,885 km already exist and 833 will need to be built. The consortium includes Transneft, KomiTEK, Rosneft, Slavneft, Conoco, British Gas, Elf Neftegaz, Neste, Total, and Williams/IPL. The first step of the project will cost \$500-\$600 million. Additional partners may be included in the future. The project will also have to carry oil from Western Siberia to be profitable and is negotiating with Surgutneftegaz to that end. (*Russkii Telegraf*, 4 December)

Of the consortium members, the Finnish Neste and Transneft, the Russian pipeline access provider, have an interest in building the pipeline to Porvoo. Transneft, which has the backing of the Ministry of Fuel and Energy, will generate more income from a longer pipeline.

The Finnish's president recent visit to Moscow also gave a major boost to this option. The Ministry of Transport and the Leningrad Oblast administration support Primorsk as the pipeline's terminal. The American firms Texaco and Exxon, both of which extract oil from Timano-Pechora, are not members of the consortium apparently because they do not like either route.

OSNABRUCK HOTEL OPENED IN TVER. The opening of the Osnabruck Hotel in Tver on 30 November is a result of Tver's cooperation with the German city Osnabruck. Just over a year ago, the administrations of the German and Russian cities signed an agreement to construct the hotel. Among the principal participants of the investment project were the Osnabruck and Tver administrations, the Tver branch of Sputnik (the youth-oriented Travel Agency), the Society for the Support of Osnabruck Economy, and the Tver-based CPD shareholding company. About 20 German companies were involved in the construction project. The hotel meets international standards and has 20 rooms for approximately 40 guests. The opening ceremony was attended by Tver Mayor Alexander Belousov and Osnabruck Mayor Hans - Jurgen Fip. The Germans will also supply Tver with special trash containers and trucks for collecting waste in the city.--Borus Goubman in Tver

TVER, LATVIAN PORT CITY EXAMINE COOPERATION. A conference examining possible cooperation between Tver and the Latvian port city of Liepaya took place in Tver on 28-29 November. It served as a follow-up to the signing of a treaty to establish friendly relations between the cities in October. A delegation of 30 Liepaen businessmen came to Tver to discuss restoring the ties that had been cut following the collapse of the Soviet Union. Among the Tver participants in the conference were Tsentrosvar, International Transportation, Volzhski Pekar, Tver Manufacture, Intersphere shareholding companies, Trado Bank, the Association of Commercial Organizations, and others. Due to the geographical position of the two cities, further interaction will be highly lucrative.--Boris Goubman in Tver

REGIONAL LINKS

KHABAROVSK DUMA (<http://www.elect.khv.ru/>) Detailed information on the 7 December Khabarovsk Duma elections and the Duma itself. The site contains the full text of the Krai's charter (*ustav*) as well as a detailed history of elections in the krai.

RUSSIAN MAFIA (<http://www.mafia.spb.ru/>) This St. Petersburg site hosts information of interest to Russia's criminal element, with sources on fast cars, money, guns, and pornography.

REGIONAL PROFILE: VLADIMIR OBLAST

Governor: Nikolai Vinogradov

Nikolai Vinogradov was elected governor in December 1996, beating incumbent Yurii Vlasov.

He was born in 1947. His career in the Communist Party of the Soviet Union peaked in 1991, when he served as a second secretary of the oblast committee. During 1993-1995, he was a member of the Central Executive Committee of the Communist Party of the Russian Federation. He was elected to the oblast Legislative Assembly in March 1994 and a month later became its chairman. Since 1995, Vinogradov has been a member of the pro-government Our Home Is Russia movement.

Other Local Leaders

Chairman of the Legislative Assembly -- Vitalii Kotov, elected December 1996

Brief Overview

Vladimir Oblast is located in the middle of European Russia, about 200 km east of Moscow. The oblast acquired its present borders in 1944, uniting parts of Moscow, Ivanovo, and Gorkii (currently, Nizhnii Novgorod) oblasts.

The oblast is now one of the most economically developed regions of the Central Economic Region. In terms of industrial output, the oblast ranks among Russia's top twenty regions. Its nine major plants manufacture over 30,000 different products, which are exported to over 70 foreign countries as well as other regions of the Russian Federation. Machine building is the major regional industry and its output makes up more than 40% of total regional production. Unlike most of the other oblasts in this economic region, Vladimir Oblast does not have a high concentration of industrial enterprises in the regional capital of Vladimir. Its industrial enterprises are dispersed throughout many cities, towns, and even villages.

Basic Facts

1995 Population (est.): 1,647,600 (1.11% of Russian total)

Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 0.87%

Agricultural production as percentage of all Russian production (1994): 1.03%

Average personal income index in July 1995: 58 (Russia as a whole = 100)

Price basket index in July 1995: 91 (Russia = 100)

Average back wages owed per person (September 1995): 29,500 rubles (Russian average = 37,100)

Urban population: 80.1% (Russia overall: 73.0%)

Student population (1993): 86 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 27.61%

Percent of population with higher education (1989 census): 9.2% (Russia overall: 11.3%)

Percent of population working in (1993): Industry: 45.6% (Russian average: 29.9%);

Agriculture: 8.2% (12.8%); Trade: 7.7% (9.1%); Culture: 11.7% (13.6%); Management: 2.1% (2.3%)

Number of telephones per 100 families (1993): in cities : 30.5 (Russian average: 41.5); in villages: 12.3 (17.2)

According to a 1995 survey by Bank Austria, the oblast is ranked 10th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 30.89%/51.56% (first round/second round)

Zyuganov: 29.87%/41.86%

Lebed: 19.91%

Yavlinskii: 7.39%

Zhirinovskiy: 6.71%

Turnout: 70.47%/65.34% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 20.72%

Liberal Democratic Party of Russia: 14.70%

Our Home Is Russia: 12.25%

Yabloko: 6.53%

Women of Russia: 5.16%

Congress of Russian Communities: 4.56%

Communists -- Workers' Russia: 3.68%

Party of Workers' Self-Government: 3.33%

In single-member districts: 1 Communist Party of the Russian Federation, 1 Agrarian Party of Russia

Turnout: 66.36% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 57.79% "No" -- 42.21%

1993 Parliamentary Elections

Liberal Democratic Party of Russia: 29.49%

Russia's Choice: 16.92%

Women of Russia: 9.65%

Communist Party of the Russian Federation: 9.55%

Yabloko: 7.73%

Agrarian Party of Russia: 7.36%

Party of Russian Unity and Concord: 6.42%

Democratic Party of Russia: 5.47%

In single-mandate districts: 2 Agrarian Party of Russia

From electoral associations: 1 Women of Russia, 1 independent

Turnout: 60.47% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 61.43%

Ryzhkov: 13.81%

Zhirinovskiy: 7.51%

Tuleev: 6.21%

Makashov: 3.53%

Bakatin: 3.21%

Turnout: 79.91% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95* [*Russian regions on the eve of 1995 elections*], Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam* [*Results of the 17 December 1995 elections, regional breakdown*], Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995* [*State Duma elections 1995*], Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii* [*Governors of Russia*], Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.

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TABLE OF CONTENTS

Breaking News

A Survey of Key Events in Russia's Regions

Legal Issues

St. Petersburg Assassinations Result from Invasion of Moscow Capital

Special Report on the 14 December Regional Legislative Elections

Moscow Elects a Pro-Luzhkov City Duma

Moscow Oblast Voters Back Governor's Team

Governor Scores Success in Leningrad Oblast

Pro-Governor Reformers Sweep Perm

Altai Republic Elects Gaidar Party Member Governor

Independents Likely to Help Governor in Tver

Tyumen Results To Be Contested

Directors, Businessmen Dominate Karbardino-Balkariya Returns

Pro-Kondratenko Communists Dominate Stavropol Polls

Pro-Sumin Communists Sweep Chelyabinsk

Presidential Administration Satisfied

Canceled Perm Referendum: Two Views

Referendum Seeks to Save Perm from Ecological Death

Perm Politicians Make Political Capital from Referendum

Patterns of Regional Development

Rutskoi Rules Kursk as Family Fiefdom

Communist Mismanagement Costs Popularity in Bryansk

Center-Periphery Relations

Mitina Replaces Kazakov on President's Staff

Social Issues

Nizhnii Tagil Doctors Stage Hunger Strike Against Wage Arrears

Eurobonds Revenue to Pay Back Wages in Nizhnii Novgorod

Business Briefs

A Weekly Summary of Key Deals in the Regions

Economic Issues

Frustrated Shareholders Take Over at Novolipetsk Plant

Military Planes Lost in Irkutsk Crash

New Helicopter Production Funded

Regional Profile: Yaroslavl Oblast

BREAKING NEWS

9 DECEMBER

KALININGRAD FOLLOWS SARATOV ON LAND SALES. As early as 13 November, Kaliningrad Governor Leonid Gorbenko ordered his staff to prepare the text of a regional law that would allow the buying and selling of land in the oblast similar to the law that has been approved in Saratov. The governor has also supported a Russian government program to establish a land data base with financial support from the Russian Land Committee, Moscow banks, and at least \$30 million from foreign investors. The regional legislature supports the idea. Kaliningrad's leaders believe that the eased regulations on land will give them greater autonomy from Moscow. (*Kommersant-Daily*, 10 December)

INGUSHETIYA PRESIDENT TO SEEK ANOTHER TERM. President of Ingushetiya Ruslan Aushev will seek a second term in the 1 March 1998 elections. Chairman of the Ingush parliament Ruslan Pliev said that "the war in the Caucasus is not over," and that Aushev is the only candidate who can oppose the belligerent forces. He will have at least five opponents, but his only real competitors are State Duma member Mukharbek Aushev and the head of the procurator's international legal department, Issa Kostoev. Aushev won 99.94% of the vote running unopposed in 1993. Shortly after winning that election, Aushev had promised to resign if the Ingush refugees were not allowed to return to the Prigorodnii Raion of North Osetiya, which they fled in 1992. The refugee problem still remains unsolved. (*Segodnya*, 10 December)

10 DECEMBER

SPECIAL BRIGADES GO TO WORK IN FIVE REGIONS. First Deputy Prime Minister Oleg Sysuev announced that five special brigades left Moscow to speed up the payment of wage and pension arrears in Kirov, Sverdlovsk, and Chita oblasts and the republics of Khakasiya and Buryatiya. These regions have large debts and are unlikely to meet Yeltsin's order to pay them off by 1 January 1998. The overseers from Moscow are supposed to determine if the regions' resources for paying back the debt are as depleted as the regional leaders claim and to find ways to improve the situation. (*Izvestiya*, 11 December)

REGIONS PARTICIPATE IN INTERNATIONAL INFRASTRUCTURE PROJECT.

Representatives of 23 regions met in St. Petersburg to discuss participation in the Russian leg of an international transportation corridor that will go from northern Europe through Finland, St. Petersburg and Moscow to Novorossiisk and Astrakhan. The overall cost of the project is set at \$28 billion and is expected to be raised from private investors, according to Transportation

Minister Nikolai Tsakh. The first stages of the project will be improving the roads between Helsinki, St. Petersburg, and Moscow, building new airports, and laying oil pipelines to the region's seaports. (TV Tsentr, 8 December)

DUMA APPROVES LAW ON AIRCRAFT INDUSTRY. The State Duma approved a law to protect Russia's aircraft industry from foreign competition and the president is expected to sign it within a month. Approximately 87% of Russia's aircraft building potential is located in the regions outside of Moscow. Plants that the government had intended to privatize in 1998 will now remain in state hands, including Moscow's military builders, MAPO and MiG, Novosibirsk's aviation production association, and the Komsomolsk-on-Amur plant. Russian producers have essentially stopped designing and producing new planes because of a lack of funds. Annual federal spending on research has dropped from 20 trillion rubles (\$3 billion) in 1991 to 500 billion (\$80 million) now. Funds are set to be slashed even more in the 1998 budget. (*Finansovye izvestiya*, 16 December)

15 DECEMBER

KONDRATOV SUES NAZDRATENKO. Presidential Representative in Primorskii Krai and head of the regional Federal Security Service Nikolai Kondratov filed a suit against Governor Yevgenii Nazdratenko for 100 million rubles (\$16,000) for slander. In an interview published in *Profil* magazine during the summer, Nazdratenko alleged that during Kondratov's tenure as head of the FSB the best crime fighters left the force while the level of crime in the region has risen. Kondratov's colleagues have joined the suit arguing that they were damaged by Nazdratenko's statement that "the main goal of the Primorskii Chekists [security service officers] is to turn the population against the krai authorities." Nazdratenko reacted angrily to the suit and denounced it as the latest attempt to create a political scandal in the region to destabilize the political situation. (RIA Novosti, 15, 17 December)

LEGAL ISSUES

ST. PETERSBURG ASSASSINATIONS RESULT FROM INVASION OF MOSCOW CAPITAL

by Daniel Tsygankov, Department of Sociology, St. Petersburg University

ST. PETERSBURG--Last summer's murder spree shook St. Petersburg and gave rise to a variety of explanations, some of which are more believable than others.

On 28 July director of the North Western River Shipping company E. Khokhlov and his deputy N. Yevstafev were gunned down in the Leningrad Port office building. Almost a month later, on 18 August, Vice Governor and head of the City Property Committee Mikhail Manevich was shot dead while riding in his car (see *IEWS Russian Regional Report*, 21 August). Finally, V. Mandrykin, vice president of the Finnish-Russian joint venture Neste-St. Petersburg (which controls 1/5 of the oil market in Russia's North-West) was killed on the night

of 24 August at his country house. In addition to these infamous cases, several lower-scale contract killings took place in the city, further contributing to the murderous atmosphere.

The three assassinations were carried out with a high degree of professionalism. Khokhlov and his deputy were killed in a normally crowded place at a rare moment when nobody was around, suggesting that the killers' actions were carefully planned and orchestrated. In the Manevich case, bullet holes in the car testify to the superior shooting skills of the sniper. The killer who shot Mandrykin fired a weapon equipped with laser sights and night-vision. Additionally, assassins got to Mandrykin in the only place where Neste's sophisticated security system could not protect him.

Another coincidence can be traced in all three cases: the victims were key to making important investment decisions in the spheres of river shipping, real estate and energy supply. The unsuccessful assassination attempt on V. Morozov, first deputy head of the soon to be privatized Oktyabr Railways, completes the pattern.

These murders are even more shocking since the city had not seen economically-motivated violence in over a year. St. Petersburg was beginning to forget the bloody events of the fall of 1993-summer of 1994, when over 30 high-ranking gangsters and their client merchants were killed in the struggle over spheres of economic influence. The fall of 1995 was marked by the murder of I. Lushchinski, chairman of the board of the Baltic Sea Shipping company. And the infamous "Tambov" gang was still involved in shoot-outs with its competitors, defending their position on the city's oil market, as late as the spring of 1996. In their attempt to intimidate the Lenrybprom fishing company, the "Tambov" bandits blew up a mini van with the firm's newly elected chief executive E. Sergeev inside, but the latter only suffered minor wounds. Despite this bloodshed, the violence largely subsided by the end of 1996, as if some criminal balance of power had been achieved.

To understand the current situation, though, we must examine the field on which the municipal authorities operate. This field is defined as the range of relationships among the city's economic, political, social, and criminal capitals, or, more precisely, among various agents with disproportionate amounts of the respective capitals, which enable them to dominate certain parts of this field. The struggle among these agents increases whenever the relative value of various forms of capital undergoes change, like the exchange rate between political and economic capitals, or when the balance between various institutions responsible for producing these capitals is disrupted. Criminal groups are integrated into the composition of the city government and play an equal role in the changing the nature of power relations. This game does not pit the state against the mafia (as First Deputy Prime Minister Anatolii Chubais would have us believe), but rather presents an interplay and competition between various coalitions, each comprised of politicians, journalists, businessmen and criminals.

Discussion of the impending redistribution of power in St. Petersburg began during the May 1996 gubernatorial elections, when Moscow money was thrown into the race. Current Governor Vladimir Yakovlev never made his pro-Moscow leanings a secret during his campaign, and upon his election opened the city doors to greater influence from Moscow. Soon several real estate scandals involving Moscow financial interests came to light. The same Moscow financial circles were involved in dividing up TV Channel Five (the St. Petersburg broadcaster that has become Russia's new Culture network). Moreover, city residents still

remember the affair with the transfer of city government accounts to BaltUNEXIM bank, a regional subsidiary of the powerful Moscow-based UNEXIM Bank (controlled by Vladimir Potanin). Furthermore, by September 1997 the city government had signed cooperation agreements with such Moscow banks as Inkombank, Menatep, Alfa-Bank and National Reserve Bank.

In this light the policies of Gen. A. Ponidelko, appointed by Yakovlev to head the city's police force, do not seem to address the city's problems. The fact that his wife is a high ranking executive in the Moscow-based Most-Bank may be a conflict of interest. Gen. Ponidelko promises first and foremost to wipe out the "Tambov" gang and blames the summer murder spree on them. He has also sent the governor a list of municipal officials who allegedly have links to the "Tambov" group. These statements look especially peculiar given the heavy casualties taken by the "Tambov" criminal group lately, especially after the arrest in Stavropol of A. Yefimov, one of its ring-leaders. At the same time, the "Kazan" gang presents much more of a menace to the city, with its thief-like methods, widely practiced in Moscow and despised by the more crude "Tambov" bandits.

The invasion of Moscow money is taking place on the micro-level as well. By the fall of 1996 police investigators began to trace links between St. Petersburg organized crime groups and the Moscow-based "Solntsev" gang. Companies, shops and retail firms subordinate to Moscow criminal patrons appeared in the city. It is also possible that Moscow bandits own these enterprises, using them to launder their illegal earnings in St. Petersburg. In other words, St. Petersburg is saturated with "free money," looking for investment opportunities. Thus, new agents have entered the St. Petersburg market and are forming new relationships, with the goal of most efficiently investing their cash. In doing so, they work against the hitherto established balance of power in the city and redefine the combination of capitals that form that balance. Such transformation inflicts stress on the power structures, causing the removal of the losing agents from both the political field (through resignations) and the physical field (through murder), despite the high costs of such operations.

As the financial interests of Russia's two capital cities collide, more victims are bound to fall, and victory for Moscow remains far from certain. In the most recent move, the three largest St. Petersburg banks (Promstroibank, Petrovskii Bank and St. Petersburg Bank) formed Bankers' House St. Petersburg (see *IEWS Russian Regional Report*, 25 September), arguably to counter the consolidation of Moscow financial interest in their home city.

SPECIAL REPORT ON THE 14 DECEMBER LEGISLATIVE ELECTIONS

MOSCOW ELECTS A PRO-LUZHKOVA CITY DUMA. About 30% of Moscow's voters braved bitter cold to hand Mayor Yurii Luzhkov a landslide victory in the 14 December city Duma elections. According to preliminary data, 26 of the 35 new deputies figured on a list of candidates that had Luzhkov's backing. Luzhkov's favorites were published in the newspapers *Tverskaya*, 13, the official paper of the Moscow city government which is distributed for free across the capital, and the popular pro-Luzhkov *Moskovskii komsomolets*. (For a list of the winners, see *Kommersant-Daily*, 16 December.) The only winner among the 35 who could be

considered among the opposition is *Novaya gazeta* journalist Yevgenii Bunimovich, who was backed by Yabloko.

The results strengthen Luzhkov's base in the capital and will allow him to continue to make forays into federal politics. He is a strong advocate of Russian union with Belarus, backs the return of Sevastopol from Ukrainian to Russian control, frequently criticizes First Deputy Prime Minister Anatolii Chubais, and opposes federal plans for housing reform, presenting an alternative model instead. The new legislature is certain to reelect pro-Luzhkov Speaker Vladimir Platonov, who will also hang on to his seat in the Federation Council.

Overall, 17 incumbent members of the legislature were reelected at a time when elections are bringing new faces to many other regional legislatures. (According to *Izvestiya*, 11 December, 27 incumbents competed.) Candidates officially running as independents won 17 seats, Yegor Gaidar's Russia's Democratic Choice (DVR) won 8 seats, Grigorii Yavlinskii's Yabloko and Prime Minister Viktor Chernomyrdin's Our Home is Russia each won 3 seats, while the minor parties For Justice, Constitutional Democrats, Common Cause, and Democratic Russia won one seat each. All told, 357 candidates and 21 parties competed in the race.

All of Luzhkov's opponents suffered humiliating defeats. Former Chairman of the Moscow City Soviet Nikolai Gonchar, currently a State Duma member and vocal Luzhkov critic, lost in District #2 to an incumbent member of the city Duma. Aleksei Podberezkin, the leader of My Moscow, the Communist coalition contesting the elections, dropped out of that race two days before the balloting to avoid an anticipated humiliating defeat at Gonchar's hands. Other losers included: Moscow Communist Party First Secretary Aleksandr Kuvaev and the extreme nationalist leader of Pamyat, Dmitrii Vasilev (*Izvestiya*, 16 December). None of the 32 Bloc of Nikolai Gonchar candidates or the 25 My Moscow candidates won (*Itogi*, 8 December)

The outgoing city Duma membership did not assert itself as a political player during its 1993-1997 tenure. Chairman Platonov is little known in Moscow and rarely appears in the media. The body meets an average of once a week and usually carries out Luzhkov's wishes (see *Nezavisimaya gazeta*, 27 November). The vast majority of the laws which the Duma approved were introduced by Luzhkov rather than the deputies themselves.

Despite the Duma's general obedience, the Mayor was often unhappy with it because it could not even gather a quorum to approve his proposals. Luzhkov also dislikes the pro-Chubais bent of the deputies. The subservient nature of the Duma does little to boost Luzhkov's image as a politician who could serve as Russian president since he has no one to conduct a dialogue with to demonstrate that he would be effective in dealing with the often rebellious State Duma (*Expert*, 1 December).

Nevertheless, being a member of the Moscow Duma means a lot more than being in any of the other regional legislatures. Yabloko State Duma member Vyacheslav Igrunov argued that the race was important because Moscow's budget comprises 40% of the federal budget, and as much as 75% of Russia's financial capital is located in the city. Whoever influences the situation in Moscow has influence throughout the whole country (NTV, 7 December). Members will have some say over the use of the city's lucrative land. Candidates paid as much as \$100,000 and \$200,000 to finance their campaigns, despite a legal limit of 80 million rubles (\$13,000).

Moscow's status as the capital, its size, and wealth make it unique among Russia's 89 republics and regions, so these elections reveal little about upcoming national contests for the State Duma in 1999 and the presidency in 2000. Nevertheless, it does indicate possible future developments.

The news for the reformers is good. Yabloko, Russia's Democratic Choice and Our Home is Russia were able to agree not to compete against each other in the various districts, avoiding a costly mistake they have made in past national and regional elections. This precedent of cooperation may now be transferred to the federal level (*Segodnya*, 15 December) However, in an interview on NTV (15 December), Yavlinskii stressed that the federal elections would be different and that there would be no room for making common cause with either Gaidar's party or Chernomyrdin's Our Home is Russia.

The news for the Communists is bad. Going into the race, Podberezkin claimed that his bloc could win between 4 and 12 seats. He claimed that he saw the elections as a testing ground for the theory that the Communist Party could succeed electorally in pro-reform urban areas by presenting a moderate patriotically-oriented image. Even though his My Moscow bloc explicitly avoided the Communist label, this strategy clearly failed. -- Robert Ortung

MOSCOW OBLAST VOTERS BACK GOVERNOR'S TEAM. With turnout of about 36.24%, Moscow Oblast voters elected a new legislature that will be loyal to Governor Anatolii Tyazhlov. The voters replaced the old legislature, which was often hostile to the governor, and now the body will consist of 80% freshmen, *Kommersant-Daily* reported 16 December. The most intriguing campaign took place in the district where former oblast Duma Speaker Aleksei Vorontsov stood for reelection. He came under fire from the local media because of his opposition to the governor. The speakership will now most likely fall into the hands of the governor's long time ally, former State Duma member Andrei Polyakov who chaired the State Duma's committee on local self-government. In a surprising upset, the popular oblast politician Valerii Galchenko lost by about 1,000 votes to a local police chief. Galchenko was Tyazhlov's main opponent in the last gubernatorial race and planned to contest the next election (*Segodnya*, 16 December).

Moscow Oblast voters also participated in a referendum that asked: "Do you agree that the number of salaried oblast Duma deputies should not exceed half the total number of deputies?" The governor sponsored the referendum in an effort to weaken the regional legislature while correspondingly giving himself greater power. He argued that the oblast would benefit from substantial savings by reducing the number of employees.

According to acting chair of the Moscow Electoral Commission Valentina Smirnova, the referendum was legitimate and its preliminary results show that most voters supported keeping half of the oblast Duma deputies off the budget payroll. However, according to *Kommersant-Daily* (16 December) the referendum is illegal and its results, therefore, are invalid. The federal law on referenda stipulates that a referendum cannot ask voters to decide the composition of a government organ in any subject of the federation. Second, the referendum was conducted based on a court ruling, not a specially adopted law, as required by oblast legislation. Third, according to another oblast law, Duma deputies are required to be full-time legislators to avoid conflict of interests. Moreover, the savings on salaries would not be

significant, and the cost of the referendum is about the same as four years worth of the total salaries for all Duma deputies. Vladimir Lukin, head of the Moscow Oblast Yabloko party organization pointed out that administration employs 1,500 people, while the Duma only has 50. Saving only 25 salaries does not make sense, compared to the size of the governor's staff, he argued (*Nezavisimaya gazeta*, 4 December). Even if the legitimacy of the referendum is contested, one can expect the courts to take the governor's side, *Kommersant-Daily* speculated. -- Natan Shklyar

GOVERNOR SCORES SUCCESS IN LENINGRAD OBLAST. Despite the mercilessly cold weather, residents of Leningrad Oblast turned out in fairly large numbers to give their governor a strong vote of support. All 50 electoral districts reported valid elections and the overall turnout was 33.25% of eligible voters, much higher than in the recent St. Petersburg elections. Unlike in the city, the oblast electoral law does not stipulate any minimum voter turnout requirement. Electoral commissions in 48 districts reported clear winners, while results in the 10th and the 33rd districts will be contested in court. In general, this campaign was marked by fierce competition and blatant bribery of the population with money, vodka and food.

The "governor factor" played a key role in determining the results. Leningrad Oblast Governor Vadim Gustov, elected in September 1996 with the support of Communist Party leader Gennadii Zyuganov's National Patriotic Union of Russia over the NDR-backed incumbent, Aleksandr Belyakov, managed to distance himself from the national-patriots and become a professional executive with pragmatist policies. The oblast economy picked up in 1997 with positive GDP growth at 1% and a 0.4% drop in unemployment, now down to 5.6%. The amount of taxes collected in the first three quarters grew 19%. Competition from Finnish exports hurts oblast producers, yet the governor's approval rating remains high. As a result, the administration had huge potential for influencing the election outcome. In particular, as the legislature grew from 25 to 50 seats, the administration had a major say in how the district boundaries were drawn, ensuring safe districts for at least one key supporter.

Even though in public the governors claim to stay out of legislative campaigning, Gustov made it very clear in a speech two months ago that he favors candidates who are "strong economic managers" and raion administration bureaucrats. Election of the governor's favorites was insured by the specially created "Public Chamber Council of Leningrad Oblast" active in each district. Out of the 50 candidates supported by the Chamber, 35 made it into the new Duma, said Fedor Shkrudnev, President Yeltsin's representative in the oblast who is affiliated with the Chamber.

Party affiliation seemed to play a negative role in the campaign. Ideological parties did poorly this time around in contrast to the 1995 State Duma campaign, when party affiliation was decisive. In the oblast campaign only 10% of all candidates belonged to any parties (37 out of 415). The Communist Party of the Russian Federation put up only 4 candidates and the Russian Communist Workers Party only one. Only one out of 3 Our Home is Russia (NDR) candidates won, while the rest of the party candidates (the Communists, 19 members of Vladimir Zhirinovskiy's Liberal Democrats, 6 from Lebed's Honor and Motherland movement) lost.

One can sketch a preliminary demographic portrait of the new legislature. Young people are almost completely absent, with only one deputy under the age of 30. There is only one woman deputy as well. At the same time, industrial enterprise directors are heavily represented with 26 deputies, including the head of Oktyabr Railways and former Minister of Transportation Anatolii Zaitsev along with his deputy, Vadim Morozov. Out of 18 incumbents who stood for reelection this year, 9 were successful, including the current chairman of the legislature, Vasilii Ivanov, and his first deputy Georgii Samsonenko.

The significance of a seat in the legislature is increasingly important, given the projected \$17 billion in foreign investment the oblast expects by the year 2010. The majority of this money will go toward the construction of two ports, in Ust-Luga and Primorsk, and a high-speed highway linking Moscow and St. Petersburg, a good chunk of which will go through the oblast. Therefore, it is not surprising that the city's and oblast's leading financial structures discreetly participated in the races. Only when the legislative session commences will it become clear which financial interests the allegedly "non-partisan" deputies will represent.--Daniel Tsygankov in St. Petersburg

PRO-GOVERNOR REFORMERS SWEEP PERM. With a turnout of 38%, a coalition of pro-reform candidates loyal to Governor Gennadii Igumnov won 22 of the 40 seats in the Perm oblast legislature. The United Democratic Forces of the Prikamye bloc, which now controls a majority of the legislature, had fielded 34 candidates, *Segodnya* reported 16 December. The bloc is primarily composed of supporters of Our Home is Russia (NDR) and Gaidar's Russia's Democratic Choice while Governor Igumnov is a member of the presidium of the NDR Political Council. About three-fourths of the deputies are freshmen, reflecting the population's general disapproval of the work of the previous membership. Among the first moves of the new majority will be to overhaul the legislature's leadership, *Rossiiskaya gazeta* reported 16 December.--Robert Ortung

ALTAI REPUBLIC ELECTS GAIDAR PARTY MEMBER GOVERNOR. With turnout of 70.1%, the voters of the Altai Republic elected State Duma member Semen Zybakin as the new executive. He won 23.5% of the votes, beating his closest rival, Yurii Antaradonov, director of the Altai ecological and economic region, by just 0.22% (RIA Novosti, 16 December 1997). The current chairman of the legislature, Vladilen Volkov, won about 12% of the vote. The Moscow based leadership of Our Home is Russia backed former Governor Vladimir Petrov in the race because NDR Duma First Deputy Speaker Vladimir Ryzhkov believed that Petrov would guarantee better relations with the center (*Kommersant-Daily*, 10 December). The poor republic, located far from Moscow receives 85% of its budget from federal subsidies. The republic also elected 41 members to its legislature, *Rossiiskaya gazeta* reported 16 December.--Robert Ortung

INDEPENDENTS LIKELY TO HELP GOVERNOR IN TVER. All 33 seats in the Tver Legislative Assembly were filled in the 14 December elections, with turnout at about 40%. Both the Communist opposition and groups supporting the governor claim success in the elections,

but since the vast majority of the new members are independents, the governor will be likely to establish a strong working relationship with them.

The pro-communist newspaper *Pozitsiya* (17 December) claimed that six Communist supporters won seats in the new legislature including L.A. Aisenstadt, the first secretary of Tver region Communist Party (KPRF) organization, and V.N. Kurbatov, currently the speaker of the Legislative Assembly. Since only some of the pro-Communist deputies are actually members of the party, the opposition electoral alliance may not maintain its unity over time. As the results of the campaign show, the opposition also suffered some heavy losses. Valerii Nekhaev, whose negative campaign attacked the governor, was defeated. The pro-administration team pointed to the victory of Volochek Mayor M. Hasainov and Olenino district head Oleg Dubov and *Russkii Telegraf* (16 December) reported that the pro-government Our Home is Russia had won nine seats.

On the whole, like in many places in Russia, personal relations rather than party membership will determine the course of events in the future assembly. The majority of the deputies are businessmen (11, including at least three heads of large industrial enterprises), state functionaries (6), heads or deputy heads of hospitals (6), and agrarian sector bosses (4, two of whom head collective farms). The head of the Tver branch of the Central Bank, A. Bezdolny, also became a deputy. Additionally, the new membership includes one journalist, one military officer, two professors, and two industrial specialists.

The presence of numerous businessmen and civil servants creates numerous opportunities for the governor and his staff to build alliances with the new legislators. At the same time, the future of executive-legislative relations at the regional level depends to a large extent on the course of the gubernatorial campaign. Although elections are still two years off, the posturing has already begun. Influential regional politicians like Tver Mayor Alexander Belousov and State Duma deputy Alexander Tyagunov will have a major impact on the course of events, as will Communist State Duma member Tatyana Astrakhankina.--Boris Goubman in Tver

TYUMEN RESULTS TO BE CONTESTED. The Tyumen elections of 14 December were valid in the oblast proper as well as in the separatist-minded autonomous okrugs of Khanty-Mansii and Yamal-Nenets. Turnout in the southern part of the oblast was 40% and above 30% in each of the two okrugs, according to RIA Novosti on 15 December. The okrugs had refused to participate in previous elections. Among the winners were nine directors of large oil and gas enterprises, *Segodnya* reported 16 December.

The results are under dispute because three deputies from the Yamal-Nenets legislature and one from the Khanty-Mansii legislature won seats in the Tyumen Oblast Duma, RFE/RL Newline reported 17 December. The oblast legislature had earlier voted to bar members of the okrug legislatures from being members of the oblast legislature.

However, representatives of the okrugs assert that keeping them out of the oblast legislature would deprive them of levers to influence oblast events, *Russkii Telegraf* reported 16 December. The Constitutional Court will now rule on the matter.--Robert Ortung

DIRECTORS, BUSINESSMEN DOMINATE KARBARDINO-BALKARIYA RETURNS. Eighty percent of the new members of the legislature of Karbardino-Balkariya

represent the economic elite of factory directors and businessmen, while only two Communists won seats in the North Caucasus republic, *Russkii Telegraf* reported. The new legislature is likely to be strongly loyal to President Valerii Kokov. Turnout was 68.75%, according to *Rossiiskaya gazeta*. The republic has a rather unusual electoral system with twelve 3-mandate districts for the upper-house, the Council of the Republic, and 36 single-mandate seats in the lower house, the Council of Representatives. All but two seats in the lower house were filled.-- Robert Orttung

PRO-KONDRATENKO COMMUNISTS DOMINATE STAVROPOL POLLS. With a turnout of 36.73%, Stavropol voters elected Communists to fill 11 of 25 seats in the krai legislature, results that will certainly help Communist Governor Aleksandr Chernogorov, the former State Duma member who was elected to his current position on 17 November 1996. In their campaign, the Communists stuck to their traditional themes. The director of the local bakery, N. Zuev, for example, defeated 10 candidates in his district by lowering bread prices one month before the election, *Rossiiskaya gazeta* reported 16 December. State Duma member Yurii Burlutskii, the first secretary of the Communist Party Krai Committee won a seat in the new legislature and is likely to be elected speaker, securing a seat in the Federation Council, *Russkii Telegraf* reported. According to *Segodnya* only one incumbent was returned to the body. The leader of the once widely popular pop group Laskovyi Mai, Andrei Razin, even defeated the sitting Duma Chairman V. Zerenkov. This result was an exception to the general rule that the voters preferred to elect professionals.-- Robert Orttung

PRO-SUMIN COMMUNISTS SWEEP CHELYABINSK. With a turnout of 28.29%, the pro-Communist movement For the Revival of the Urals led by Governor Petr Sumin won an absolute majority of the seats in the legislature. The movement also took two of the three State Duma seats up for election.-- Robert Orttung

PRESIDENTIAL ADMINISTRATION SATISFIED. The presidential administration was satisfied with the results of the regional elections that took place on 14 December because, in most cases, the governors demonstrated that they controlled their regions very well, *Russkii Telegraf* reported 16 December.

CANCELED PERM REFERENDUM: TWO VIEWS

On 14 December Perm voters were supposed to vote in a referendum on the question "Do you support the implementation of the project to dispose of strategic solid-fuel missiles in the city of Perm?" However, the Lenin Raion court in Perm ruled the referendum illegal and on 11 December the oblast court upheld the decision. On that day, Perm Mayor Yurii Trutnev called on residents to participate in a demonstration to protest the court's action on 12 December, the Russian holiday to mark the anniversary of the adoption of the Constitution in 1993. Approximately 2,000 to 4,000 marchers turned out the next day to protest the destruction of rockets in their city. Now the city дума is planning an appeal to the Supreme Court.

Even though the referendum was canceled (at least for the time being), the issues at stake will not go away soon. Below are two different perspectives on the wisdom of holding the referendum and the project to destroy the strategic missiles in Perm.

REFERENDUM SEEKS TO SAVE PERM FROM ECOLOGICAL DEATH

by Yurii Rodygin, AVE-info

NIZHNII NOVGOROD - At the initiative of Perm's civic organizations, the city planned to hold a referendum on 14 December on whether residents endorsed a planned project to destroy strategic nuclear missiles within city limits.

According to local environmental activists and experts, the city of Perm is on the brink of ecological death. With an average life expectancy of only 52 years, the city is among the top ten most polluted cities in Russia.

Local environmental activists claim that the project's supporters have been concealing from the public the findings of a scientific study on the impact the project will have on the local ecosystem. The Greens cite local experts who found that the level of toxic atmospheric pollution in the city is extremely high, and is even higher on the territory of the Kirov defense plant, where environmental safeguards are completely nonexistent and waste emission controls are lax. For example, when rocket engines are burned at the Kirov plant, the resulting emissions are simply released into the atmosphere, with no attempt to limit the amount of damage done (in direct violation of the oblast law on the environment). The Greens blame Perm's defense plants for wasting 200 billion rubles (\$34 million) over the last 10 years, yet failing to equip their facilities with basic safety precautions.

Needless to say, the management of the local defense enterprises, like the Kirov plant, support the controversial project. Furthermore, the United States will provide the funding, and the tender to build the disposal facility has already been won by Lockheed Martin. It seems that profit motives united the Americans with the Perm defense plant managers.

The project will cost Perm dearly. The private company that will dismantle the missiles is located near a tuberculosis sanitarium and a large residential housing complex. Scientists and environmentalists emphasize that by participating in the project, Perm will slowly lose its significance as a major defense industry center and be turned into a waste dump. Perm defense workers will essentially become crematorium operators, as they will be burning up the health of Perm residents along with the fuel.

On top of everything else, experts decry the burning of the solid rocket fuel, a commodity that is much more expensive than oil. Heat energy, so badly needed in many Russian cities, will be wasted to burn the missiles, which were very expensive to produce. Perm's defense sector must be blamed for two mistakes: for not developing appropriate technologies to dispose of the rockets in time, and for selling out despite the environmentally harmful consequences. To counter the nearsightedness of the plant managers, Perm's Greens called on their fellow citizens to give a resounding "No" to the proposed project during the 14 December referendum and legislative elections. Activists did not doubt that people concerned with keeping their water and air clean will make the right decision.

PERM POLITICIANS MAKE POLITICAL CAPITAL FROM REFERENDUM

On 3 December, Rossiiskaya gazeta, the newspaper published by the Russian government, published the views excerpted below:

The initiator of the referendum is Perm Mayor Yurii Trutnev. On 29 May *Rossiiskaya gazeta* published an article describing plans to build the world's largest facility to destroy missiles of all sizes. It makes sense to build this plant in Perm where the Kirov plant has had extensive experience since 1933 in destroying obsolete missiles that had expired before they could be fired in battle. The company that makes the missiles should logically be the one that destroys them. Currently, the Kirov plant burns the missiles on open stands, creating a cloud of toxic fumes. The first stand that would permit an ecologically less harmful destruction of the missiles and recovery of some of the fuel is only 90% complete. The project needs another 25 billion rubles (\$4.2 million), but has nowhere to get it from.

The US government has offered tens of millions of dollars in aid and Lockheed Martin, which has experience disposing of similar rockets in California, won the contract to assist the Kirov plant. Lockheed claims that its technology catches 95-97% of the harmful waste products cast into the atmosphere during the destruction of the missiles. *Rossiiskaya gazeta* asserts that the Lockheed officials who visited Perm in the summer of 1997 could not meet with local officials because they wanted to make "political capital" out of the issue. Mayor Trutnev said that the city doesn't need another ecological problem, even if it is provided free of charge. He claims that the Russian government ordered the production of these rockets, and now it is trying to dump the problem on Perm's citizens. The mayor raised the specter of a second Chernobyl even though the nuclear warheads that the rockets were supposed to carry are not being destroyed in Perm. There is evidence, however, that there is radioactive pollution in the city and the mayor is apparently trying to deflect attention from it with a campaign against the missile destruction. The Kirov plant made a considerable amount of pollution during the cold war when it was manufacturing the missiles and now the mayor greatly exaggerates the amount of pollution that will be created during the planned destruction process.

Overall, the Russian authorities are planning to invest 1.3 trillion rubles (\$220 million) in the disposal center, while the Americans will provide \$53 million. The referendum was called too late to be included on the ballot under Russian law which requires a four month period between the announcement of the referendum and the actual voting. Moreover, the Central Electoral Commission opposed the referendum since "preserving the environment does not allow local governments to resolve defense questions on their territory." Nevertheless, the mayor has a clear interest in pursuing this issue. Many of the mayor's business associates competed in the oblast legislative elections held on 14 December. The populist campaign against the destruction of the missiles is making the mayor almost as popular as Perm Governor Gennadii Igumnov.

PATTERNS OF REGIONAL DEVELOPMENT

RUTSKOI RULES KURSK AS FAMILY FIEFDOM. The year-long reign in Kursk oblast of the former Russian vice president and a 1993 coup-maker Aleksandr Rutskoi has been marked by egregious nepotism and authoritarian tactics in the best traditions of the Communist-era party officials, *Rossiiskaya gazeta* reported on 4 December.

The level of nepotism is almost farcical, the paper claims. Rutskoi appointed his youngest brother Mikhail, a local policeman, as a high ranking oblast police chief. His other brother, Vladimir, became the head of the state-owned agricultural and food-processing company Faktor. The governor's youngest son (from his second marriage) Aleksandr began working at the Kurskneftekhim petrochemical factory, and ever since the company has been enjoying the oblast's favoritism. For example, the oblast signed over a 20 billion ruble (\$3.4 million) federal subsidy entirely to the plant. Rutskoi's son from his first marriage, Dmitrii, first served as his father's economic advisor, but later profitably participated in the privatization of the Kurskfarmatsia pharmaceutical company, eventually becoming its chief executive. This move blessed the company with lucrative government contracts. Further contributing to the scandalous state of affairs, the 50 year-old governor (still legally married to his second wife) has been living with a 23-year old Irina Popova, whom he already presents as the oblast's first lady. Additionally, her father, and the governor's de-facto "youthful father-in-law," has been propelled to the post of deputy head of one of the local administrations.

The new governor's outrageous nepotistic policies take place against the background of upbeat, if falsified, official reporting on the oblast's economic successes. Rutskoi's first annual report claims successes on all fronts. But compared with impartial statistical data, the report's numbers seem carefully picked, completely ignoring dismal failures in some areas and exaggerating successes in others. Total wage arrears in the region are still growing and as of October amounted to 484 billion rubles (\$82 million). The basket of 25 most essential consumer goods and services is more expensive in Kursk Oblast than in any other Central Black Earth region of Russia. Residential construction has dropped by 16% compared to last year, while cargo shipping turnover has declined by 24.5%. While production of most essential food items and goods has increased, power production has gone down, as has iron-ore mining.

In agriculture, Rutskoi's incompetent management has caused the loss of grain and sugar beet harvests on many fields. The governor's agricultural policy consists of taking out loans, with the oblast budget as collateral, and spending the money frivolously on the sowing campaign. When harvest time comes around, no funds are left for machine fuel and farming enterprises simply cannot repay their debts. To deal with this problem, Rutskoi forbids the debtors to export their produce outside Kursk Oblast, causing farmers huge losses on domestic sales (*Itogi*, 25 November).

Governor Rutskoi especially likes to brag about his phenomenally successful campaign to attract foreign investors to his region. He claims to have gathered up to \$1 billion worth of investment projects in his oblast in just one year, even though no concrete evidence of joint venture projects can be found on the ground. As a matter of fact, capital investment in the oblast has declined over the last year by 15%.

When journalists try to get to the truth, the oblast administration not only refuses to cooperate, but blatantly impedes free access to public information or tries to intimidate its most outspoken critics. An article in *Itogi* magazine (25 November) described the wide-spread fear

among civil servants and common people in Kursk of criticizing Rutskoi's policies. The governor can exert considerable influence over his critics through his control of residential rent rates, for example.

Even though some successes can be cited here and there, *Itogi* states, the governor's outrageous opulence leaves many perplexed. For instance, he drives around in a jeep and spends lots of money on renovating his luxurious offices. His birthday celebration was marked by expensive fireworks, helicopter rides and Moscow celebrity guests.--Natan Shklyar

COMMUNIST MISMANAGEMENT COSTS POPULARITY IN BRYANSK

by Alex Levinsky, *Bryanskoye Vremya*

BRYANSK—Representatives of the pro-communist "Patriotic heskaya Bryanschina" (Patriotic Bryansk) who won the majority of mayoral posts and legislative seats in the June local elections are now finding it difficult to govern in the new market conditions and are turning to illegal methods. As a result, their standing in the polls has plummeted and the politicians have begun to prepare alternative careers for themselves.

According to Mikhail Rodin, the director and co-proprietor of the Grain Storage and Mill enterprise in Trubchevsk (a town some 120 miles to the south of Bryansk), the new authorities are trying "to gain the most profitable businesses for themselves in case they lose political power".

In this atmosphere, Rodin and his companions committed "a crime": They purchased shares in one of the three local businesses which still had stable revenue and paid comparatively high salaries to its employees. At the last annual shareholders' meeting, Mikhail Rodin was elected director.

In the stagnating provincial economy, local bureaucrats have essentially three legal and illegal sources of income—manipulating the relatively strapped municipal budgets, selling access to state-owned housing, and milking money from lucrative pieces of privatized property.

Rodin and his business partners were victims of the third of these scenarios. The businessmen knew that the enterprise they bought had been deep in debt because of a number of loans it had taken from the oblast administration. They also knew that the oblast had gone to court and won an injunction that the debts be paid, but later the Trubchevsk raion administration had negotiated with the oblast to postpone the payments. The businessmen had agreed to a plan to pay back the loans and suggested paying partially with money and partially with flour and goods bartered for it. Residents of Trubchevsk, many of whom have not been paid for months, wrote letters to the local administration stating that they were ready to accept the commodities offered instead of social welfare and other municipal aid, especially since the raion government had no money, but the administration refused to accept this plan. Mayor Viktor Zhigunov said that the "people will wait". He claimed that the enterprise's debt (which covers almost 1/14 of the district budget's deficit) is too small to take into consideration.

Meanwhile, as soon as it became clear that the businessmen would be able to buy a controlling interest in the plant, the then-director, Anatoly Andryushin, formerly the chairman of the town's council, initiated the process of freezing the factory's assets and then auctioning them

off in order to repay its debts. He explained that he hoped to prevent the purchase. "I guessed that the businessmen would see the obstacles and quit," he said.

The businessmen's attorney, Evgenii Safonov, was convinced that the property had been seized illegally and appealed to the local procurator's office. As a result, District Procurator Vladimir Kuznetsov opened a case in the local court, but suddenly dropped it as the day of the hearing approached. The businessmen's attorney immediately went to the court, but his demands were rejected. The presiding judge, Anatolii Skorovarov, said that "according to the Russian Constitution he didn't have to give an explanation" for this action. When asked about the legal holes in his argument for dropping the case, he claimed that "if the decision is unlawful, the oblast court will overturn it."

Grigory Kisselyov, the deputy chief of the Trubchevsk administration who is also the chief of the local municipal property fund, reluctantly explained the administration's position. He argued that "the businessmen were too young and inexperienced and tried to manage the enterprise in an unacceptable manner."

Mayor Viktor Zhigunov confessed that he was the one who had ordered the auction to sell the enterprise's property. Ultimately, the unlawfulness of the sale was so blatant that even the local court had to protest and canceled the auction. Zhigunov had no coherent explanation for why he had broken the law, but simply asserted that "it had to be done".

Zhigunov's motives are quite clear, however. When entrepreneur Rodin told Zhigunov that before the next elections he would launch a public campaign to discredit the mayor, Zhigunov replied that he didn't care about the elections because he "didn't have a political future" anyway.

Former Deputy Raion Chief Nikolai Danchenko, who had been sacked by the new mayor and then immediately elected a member of the town council (in a part of the town where the intelligentsia was in a majority) commented that under the pro-communist administration, the economy had begun to deteriorate because the Communists did not have a program to spur growth; they were too busy trying to preserve their privileges at any price. He said that during the June campaign, public opinion was such that "if a monkey had been nominated by the pro-communist 'Patrioticheskaya Bryanshina' movement, the electorate would have voted for a monkey. Today, the results could be different," he suggested.

CENTER-PERIPHERY RELATIONS

MITINA REPLACES KAZAKOV ON PRESIDENT'S STAFF. President Yeltsin replaced Aleksandr Kazakov, the first deputy chief of staff of the presidential administration who was sacked following the revelation that he and some of his colleagues had taken a hefty advance for writing a book on privatization, with Viktoriya Mitina. She will take over regional affairs inside the administration.

According to a report in *Kommersant* weekly (2 December), Mitina has very strong ties to Yeltsin's family and Yeltsin's daughter Tatyana traveled to Zelenograd in Moscow Oblast to celebrate her birthday on 18 August. First Deputy Prime Minister Anatolii Chubais had invited Mitina to work in the administration immediately after the 1996 presidential elections, when he was chief of staff, but she rejected the offer then.

After graduating from Moscow State University in 1972, she worked in an electronics laboratory at the Mikron factory in Zelenograd until 1990. In 1988 she was an activist in the Democratic Platform within the Communist Party of the Soviet Union and in 1989 helped elect Yeltsin to the USSR Congress of People's Deputies. In 1990 Mitina was elected to the Zelenograd Soviet. In 1991 she became the first deputy prefect of the Zelenograd region of Moscow and handled issues of industry, science, entrepreneurship, land, privatization, and relations with the media and political organizations. She has been active in Yeltsin's other campaigns, handling relations with the regions, media, and Yeltsin's network of supporters.

Mitina wants to reorganize the presidential administration because she believes that it is currently improperly structured. Now there are sections that deal with the president's activities, federal policy, regional policy, and international policy. She believes that there should be greater links between these areas for optimal mutual understanding.

She sees her major task as implementing a system of relations with the regions that will unite Russia rather than divide it, as she believes the situation stands today. She will focus much of her energy on helping the regions prepare for executive and legislative elections. The goal is to win a Federation Council that, unlike the State Duma, serves as a "constructive and stabilizing" force in Russian politics. She believes a third term for Yeltsin would benefit Russia and hopes to find a common language with Russia's regional leaders. - Robert Ortung

SOCIAL ISSUES

NIZHNIY TAGIL DOCTORS STAGE HUNGER STRIKE AGAINST WAGE ARREARS

by Dmitry Strovsky, Urals State University

YEKATERINBURG - For the last two weeks 85 emergency room doctors in Nizhniy Tagil have been on hunger strike, protesting wage arrears that date back to May 1997. Only three emergency room teams work today in Nizhniy Tagil, the second most populated city in the middle Urals region. Sometimes emergency ambulance teams take four to five hours to arrive. Yet the doctors and nurses stick to their demands and remain at the hospital, refusing to go home. According to the medical union leader Aleksandr Artyukhin, some of the striking employees are in serious conditions, many malnourished to the point that they have to be kept alive by intravenous feeding (*Uralskiy rabochiy*, 11 December). The weakest strikers just lie around the ward motionless, wrapped in warm blankets.

Apparently, the public supports the strikers' cause. Representatives from Uralvagonzavod, the city's largest enterprise, visited the doctors and expressed their full support. A campaign to collect goods and money to help the families of the strikers recently began in the city. This should come as no surprise, as the medics are simply the first ones to openly express wide-spread public discontent. Today scores of Nizhniy Tagil enterprises are close to striking because of increasing wage arrears.

The local administration has decided to ignore the strike, judging by Mayor Didenko's failure to respond. Sverdlovsk Oblast Governor Eduard Rossel spoke to Prime Minister Viktor

Chernomyrdin on the phone and was able to get a promise of 30 billion rubles (\$5 million) in federal funds to pay off the wage debt, but no money has arrived yet. Even though the Russian government has promised to solve the problem by 1 January, it is clear that nothing will come of these promises.

When interviewed by the media, people are still cautious not to criticize the authorities, fearing a possible backlash. However, quite a few believe that there is enough money in the region to pay their wages, but the money never comes because the oblast and local administrations use the funds for their own purposes instead of for social needs. One often cited example is Governor Rossel's new residence. It was quickly constructed despite the tens of billions of rubles worth of wage arrears in the oblast. The project cost hundreds of thousands of dollars and the building is primarily used for rare special occasions. Many residents also believe that the oblast spent excessive amounts on its luxurious (by oblast standards) offices in Moscow. To many people who must endure the challenges of the region's economic problems first-hand, such bureaucratic opulence is puzzling and irritating, to say the least.

EUROBONDS REVENUE TO PAY BACK WAGES IN NIZHNI NOVGOROD. In a sensational statement, the head of the Nizhnii Novgorod Oblast's Finance Department, V. Lunin, announced that the oblast plans to pay back in full the wage arrears owed to state employees by 1 January, in accordance with President Yeltsin's decree. Yet, the Nizhnii media keeps talking about the financial crisis of the regional government, which is slowly acquiring more and more debt. Local politicians' ambitions to live up to Yeltsin's expectations are digging an economic hole for the region.

Despite the previous statements that the \$100 million raised through a recent Eurobond issue will be used exclusively for investment projects with quick and assured returns, the regional government channeled \$20 million of that money toward paying back wage arrears. On paper the administration broke no laws, as it formally "borrowed" the money from itself for six months. However, it is still uncertain whether the money will be returned with interest, if at all. For example, nobody has since seen the money that was supposed to go toward small business development last year (still under former Governor Boris Nemtsov), but was instead spent to cover budget deficit. Out of all the business plans submitted to the special commission tasked to decide the fate of the Eurobond money, the governor has so far only signed the \$20 million transfer toward paying back wages.

Nizhnii Novgorod Oblast has many towns that are completely dependent on a nearby large industrial enterprise, and the original plan was to distribute the Eurobond revenue among such enterprises. But, as it turned out, the business plans submitted by those enterprises still needed more work, since many enterprises lack qualified personnel who can put together a good business plan. Currently they are getting help in writing such proposals. As Vice-Governor S. Rybushkin said at a recent staff meeting in the oblast administration, "Before the end of the year, the commission will consider 20-30 more small projects, and the Eurobond money will be gone." Eleven projects have already been approved, and 14 mostly agricultural projects are now under consideration.

When the money does run out, the search for worthy investment projects and sources of financing will continue. As a matter of fact, negotiations on a new syndicated \$50 million loan

are being held right now. Borrowing money is tempting, but the regional government should not get carried away. After all, when the Eurobond debt is due for repayment in 5 years, the current administration will be long gone.-- Yury Rodygin in Nizhnii Novgorod

BUSINESS BRIEFS

-- **ICN PHARMACEUTICALS** is planning to shift its East European headquarters from Belgrade to **MOSCOW**. The new office will include a research institute with 500 employees. The Russian pharmaceuticals market is expected to be \$10 billion by the year 2000. ICN has spent \$100 million to buy five pharmaceuticals factories and plans to invest \$200 million more during the next two years. Of this investment, ICN will plow \$50 million into its **ST. PETERSBURG** plant. ICN's Russian sales in 1997 are expected to reach \$130 million, up from \$79 million in 1996. (*Moscow Times*, 3 December and *Kommersant-Daily*, 11 December)

-- **MOSCOW** will bring in \$5.5 billion in foreign investment during the course of 1997 according to Mayor Yuri Luzhkov, up from \$4.2 billion the year before. Moscow takes about 57% of all foreign investment in Russia. (*Segodnya*, 9 December)

-- **VOLVO** will assemble buses in **OMSK**. The deal was finalized during the president's recent visit to Sweden under First Deputy Prime Minister Boris Nemtsov's auspices. Omsk Governor Leonid Polezhaev also made the trip. Volvo will invest \$17 million in the Irtysh plant and its capital will be returned in five years. Omsk conducted the negotiations in secrecy to prevent competitors in **MOSCOW OBLAST** from signing a deal with Volvo first. In three years, the plant should be producing 500 buses annually. (*Kommersant-Daily*, 10 December)

-- **SAMARA** Governor Konstantin Titov wants the local **AvtoVAZ** plant to begin producing cars with the US/German carmaker **OPEL** in Tolyatti rather than Vyborg (**LENINGRAD OBLAST**), as currently planned. Titov is concerned about creating more jobs in his region. However, officials at the plant believe that it makes more sense to produce the cars in Vyborg where they are closer to export markets. (*Kommersant-Daily*, 11 December)

-- Despite the arrest of employee Richard Bliss on charges of espionage in **ROSTOV**, the Russian market remains of key importance to **QUALCOMM**. The company began working in Russia earlier this year and is setting up a network of CDMA satellite telephones. It has signed agreements with three regional companies: **MOSCOW OBLAST'S PERSONALNYE KOMMUNIKATSII**, **CHELYABINSKINFORM**, and **ROSTOV'S ELEKTROSVYAZ**. The Rostov market is considered to have a 100,000 potential customers, with 300,000 in the oblast. The existing three companies have only signed up 6,000-7,000 customers so far. **QUALCOMM** has licences for up to 50,000. (*Segodnya*, 10 December)

-- The **KHANTY-MANSII AUTONOMOUS OKRUG** is threatening to withdraw Amoco's licence to develop the southern part of the Priobskii oil field. **AMOCO** and **YUGRANEFT**

won the tender to develop the site in 1993. The okrug administration has given the company three months to present its plans for investing and developing the site. The major western oil companies do not want to work in Russia until their investments have greater protection under Russian law. The Priobskii site is not among the seven sites that have been approved for development under production sharing agreements. (*Segodnya*, 10 December)

-- **UNIFIED ENERGY SYSTEMS** of Russia and **ELECTRICITE DE FRANCE** announced that they were conducting a trial program in **NIZHNII NOVGOROD** to install meters to measure the energy usage of industrial enterprises. The French will help set up a system for Nizhnovenergo to measure energy use in real time and bill clients accordingly. Currently, the power generator only receives 11% of what it is own in real money. The project will cost 110 million Franks which will be borne by the French. (*Russkii Telegraf*, 10 December)

-- **LUKoil** beat out **YUKOS** for the rights to develop a 100% stake in the Severnii field off Russia's coast in the north Caspian Sea on 10 December. The site has an estimated 4.3 billion barrels, comparable to the AIOC mega project. The company will also add another 2 billion barrels in reserves by acquiring 52% of Arkhangelskgeoldobycha, which has the right to develop the North Territories project and the right to at least 10% of the international Timan Pechora Co. consortium. LUKoil now has roughly 17 billion barrels of reserves. (*Moscow Times*, 11 December)

-- Vladimir Gusinskii's **Media-MOST** company announced plans 10 December to launch a new network called THT in January that will broadcast to as many as 50 regions. The network will provide a mixture of both central and regional programing like American networks. Russian networks now produce material centrally and distribute it to the regions. (*Moscow Times*, 11 December)

-- The **NOVGOROD MEAT YARD**, the largest meat packing house in the North-West region, has reopened after an \$8 million reconstruction project that turned the plant into a producer of hot dogs, pelmeni, and canned meat. The Moscow-based Cherkizovo plant bought the Novgorod facility in 1996. Moscow's meat distributors are following the lead of the confectionery makers and beer bottlers by venturing into the regions. Cherkizovo itself is facing difficult times since its retail merchandisers owe it 100 billion rubles (\$17 million). None of the other meat plants in the capital currently have enough resources to build a regional empire. (*Kommersant-Daily*, 16 December)

-- The Moscow based **SUN BREWING**, which has a network of breweries across Russia, recently announced plans to invest \$150 million in the reconstruction of a brewery in **IVANOVO**. (*Kommersant-Daily*, 16 December)

-- **HARVARD UNIVERSITY** will host a conference on investment in Russia on 9 January that will include 200 leading companies who are considering investments of up to \$18 billion in

the country. Last year's conference brought Russia \$350 million worth of investments. Companies like **MICROSOFT**, **MITSUBISHI**, and **SHELL** will be among the major banks, insurance companies, investment houses, and industrial concerns participating. Russian regions sending delegations include: **MOSCOW**, **TATARSTAN**, **KOMI**, **TYUMEN**, **BURYATIYA**, **LENINGRAD OBLAST**, and **TYVA**. The forum organizers will stress the increasing importance of the Russian regions. (*Izvestiya*, 16 December)

-- The Japanese firm **MITSUI** on 16 December signed an agreement with **ST. PETERSBURG** Governor Vladimir Yakovlev to refurbish the airport, upgrade the port, build a ring road around the city, develop the telecommunications system, supply medical equipment, provide materials for ecological projects, process food, and set up computer systems. The firm is already participating in St. Petersburg projects to develop the telephone system, produce microwave ovens, and market copy and fax machines. Yakovlev said that the Russo-Japanese summit in Krasnoyarsk in the beginning of November removed many obstacles that prevented the Japanese from playing a larger role in Russia. His government will offer the investors tax holidays and greater freedom in land use. (RIA Novosti, 16 December)

ECONOMIC ISSUES

FRUSTRATED SHAREHOLDERS TAKE OVER AT NOVOLIPETSK PLANT. A group of shareholders that had long been excluded from the management of the Novolipetsk Metallurgical Combine, one of the world's 25 largest steel producers, gained control of five of the nine seats on the board of directors at the extraordinary shareholders' meeting 9 December, but then unexpectedly split. Until now the British Trans World Group, which owns 37.5% of the stock in the plant, has controlled the board in coordination with the management. They prevented the alliance of Cambridge Capital Management (CCM), MFK Bank, and Renaissance Capital from gaining seats (this group is known collectively as "Reforma") despite the fact that the group owns 49% of the stock. (The management of the plant owns 11% and others own 2.5%.) MFK and Renaissance Capital are in the process of uniting under the leadership of prominent businessman Boris Jordan. The rest of the board includes one TWG representative and three plant directors. The board is thought to be too divided to provide effective management.

Vladimir Lisin, who controls 10.5% of the plant's shares and was formerly aligned with TWG played a major role by changing his allegiance to support the Reforma group (*Moscow Times*, 9 December).

The meeting failed to adopt a new articles of incorporation for the company. To do so requires a 75% vote in favor, but TWG announced that it would not support the draft charter, effectively killing it. The Reforma group split when CCM also refused to support the charter because it would have converted 4.84% of the MFK stock from non-voting to voting shares. Doing so would have given each of the partners about 25% of the voting shares (*Russkii Telegraf, Kommersant-Daily*, 10 December).

Segodnya (11 December) suggested that the split would be soon resolved. TWG has handed over management of its shares to Rossiiskii kredit, which has lent the plant \$60 million

and controls its supply of natural resources. MFK is allied with Uneximbank and this bank may gain control of the plant's sales, which remain highly lucrative.--Robert Orttung

MILITARY PLANES LOST IN IRKUTSK CRASH. Two SU-27 UBK airplanes, produced by the Irkutsk Airframe Production factory, were on board the Ruslan cargo plane that crashed into an Irkutsk housing complex on 6 December. The plant had signed a \$100 million deal to produce four SU-27 UBK planes for Vietnam's armed forces. However, plant managers refused to announce what the delivery deadlines were. The two lost planes were the second half of the promised delivery. The first two planes were already shipped to Vietnam in the beginning of December aboard one of the Ruslan cargo planes, rented by the firm specifically for that purpose. The company also used the Ruslans to transport eight SU-30K planes to India over the course of the year.--Natalia Michurina (Teleinform) in Irkutsk

NEW HELICOPTER PRODUCTION FUNDED. Kazan's Helicopter Plant (KVZ), a converted defense enterprise, has begun developing a new generation of helicopters (*Vremia i dengi*, 4 December). Ever since the 1950s, KVZ has been a leading producer of various MI models of Russian helicopters, currently in use in over 70 countries. Its best known model is the MI-17, produced in both civilian and military versions, over 10,000 units of which are employed for reconnaissance, rescue missions, cargo transport, passenger transport, and medical purposes around the world. Just as reliable as its \$10 million Western counterparts, MI-17 is cheaper at only about \$3.5 million. Experts agree that there is a huge market for MI-17s in the Arab countries, especially since the model is constantly modernized in cooperation with the French Aerazur and the Canadian Kelowna Flightcraft companies.

The commercial success of the MI-17 pushed through the development of new innovative models. In conjunction with the French Eurocopter, KVZ is designing the MI-38, which will meet European and American flight standards. While the entire project will cost \$500 million, unit cost for the new model will be \$16 million. Given this relatively low price, the MI-38 will be a universal transport vehicle capable of carrying up to 5 tons for distances of up to 400 kilometers. Middle-income countries are estimated to be the most likely markets for the MI-38. Test models are currently near completion and mass production should begin by the end of 2001.

Western banks have financed the project, showing their trust in the Russian research and development potential. The credit will be managed by a Russian-French joint venture called Evromil. Of the \$500 million total, \$120 million will be directed toward KVZ itself. Currently, the company's management is trying to decide whether or not to issue stock to raise funds.--Midkhat Faroukshine in Kazan

REGIONAL PROFILE: YAROSLAVL OBLAST

Governor: Anatolii Lisitsyn

Anatolii Lisitsyn was elected governor in December 1995, winning outright in the first round of voting with 51.5% of the ballots cast. He had been in the governor's office for four years, after being appointed by President Yeltsin in December 1991.

Lisitsyn was born in 1947. In 1977, he graduated from the Leningrad Forestry Academy. From 1963 to 1987 he worked at a timber processing factory, starting as a manual laborer and rising to become the director. In 1987, he was elected chairman of Rybinsk city executive committee. In 1990, he won seats in the Rybinsk city and Yaroslavl oblast legislatures and later that year was reelected Rybinsk city executive committee chairman. He also ran for chairman of the oblast executive committee, but lost the race. However, in December 1991, President Yeltsin appointed him oblast administration head.

In a by-election in April 1993, he won a seat to the Russian parliament and in December that year, with the support of Yegor Gaidar's Russia's Choice movement, was elected as a member of the Federation Council, the upper house of the new parliament. In April 1995, he joined the organizational committee of the pro-governmental Our Home Is Russia movement and since May that year has been a member of the movement's Political Council.

Other Local Leaders

Chairman of the Deputies' Assembly -- Sergei Vakhrukov, elected in February 1996

Brief Overview

Yaroslavl region, located in the central part of the East-European Plain just north-east of Moscow, formed a coherent economic unit some time in the 17th century. During the rule of Peter the Great, the first large manufacturing plants producing flax and silk fabrics appeared in the area, already famous for its textile and tannery craftsmen. Most of the textile produced in the region was exported to Europe. In the 1870s, the first heavy industrial enterprises, particularly metal-processing and machine building, were founded in the region. Intensive industrialization of the oblast was carried out during the first five-year plans of the Soviet Union, giving the oblast a specialization in oil-processing, the chemical industry, and machine building. This economic development rapidly urbanized the oblast, 60% of whose population resides in two cities - Yaroslavl and Rybinsk.

Currently, the oblast has highly developed automobile, electrotechnical, ship-building, fuel, chemical, and timber working industries. However, the over 200 large enterprises in the region are highly dependent on outside supplies since the oblast lacks an endowment of mineral resources. On the other hand, over two thirds of its production is exported to the country's other regions. Lately, the oblast has also established economic ties with foreign companies, mostly from Germany, Holland, Finland, the US, and some countries in Latin America and Eastern Europe.

Due to unfavorable soil and climate conditions, regional agriculture mostly specializes in flax, vegetables, and cattle-breeding, rather than the cultivation of grain.

Basic Facts

1995 Population (est.): 1,456,100 (0.98% of Russian total)
Industrial production as percentage of all Russian production (Jan.-Aug. 1995): 1.44%
Agricultural production as percentage of all Russian production (1994): 1.09%
Average personal income index in July 1995: 85 (Russia as a whole = 100)
Price basket index in July 1995: 95 (Russia = 100)
Average back wages owed per person (September 1995): 21,200 rubles (Russian average = 37,100)
Urban population: 80.8% (Russia overall: 73.0%)
Student population (1993): 151 per 10,000 (Russia overall: 171/10,000); Pensioner population (1994): 28.27%
Percent of population with higher education (1989 census): 9.5% (Russia overall: 11.3%)
Percent of population working in (1993): Industry: 39.4% (Russian average: 29.9%); Agriculture: 9.3% (12.8%); Trade: 8.6% (9.1%); Culture: 11.7% (13.6%); Management: 2.3% (2.3%)
Number of telephones per 100 families (1993): in cities : 33.4 (Russian average: 41.5); in villages: 18.2 (17.2)
According to a 1995 survey by Bank Austria, the oblast is ranked 16th among Russia's 89 regions in terms of investment climate.

Electoral History

1996 Presidential Election

Yeltsin: 32.93%/60.56% (first round/second round)
Lebed: 31.00%
Zyuganov: 18.20%/31.51%
Yavlinskii: 8.32%
Zhirinovskiy: 4.84%
Turnout: 72.14%/70.26% (Russia overall: 69.67%/68.79%)

1995 Parliamentary Election

Communist Party of the Russian Federation: 14.53%
Yabloko: 11.69%
Liberal Democratic Party of Russia: 9.89%
Our Home Is Russia: 8.68%
Women of Russia: 6.11%
Congress of Russian Communities: 5.68%
Derzhava: 4.74%
In single-member districts: 1 Yabloko, 1 Power to the People
Turnout: 68.27% (Russia overall: 64.37%)

1993 Constitutional Referendum

"Yes" -- 64.36% "No" -- 35.64%

1993 Parliamentary Elections

Liberal Democratic Party of Russia: 21.66%
Russia's Choice: 22.31%
Women of Russia: 11.01%
Communist Party of the Russian Federation: 8.14%
Agrarian Party of Russia: 7.51%
Yabloko: 7.34%
Party of Russian Unity and Concord: 6.29%
Democratic Party of Russia: 5.72%
In single-mandate districts: 2 independent
From electoral associations: 1 Russia's Choice
Turnout: 59.26% (Russia overall: 54.34%)

1991 Presidential Elections

Yeltsin: 54.80%
Ryzhkov: 18.23%
Tuleev: 7.76%
Zhirinovskiy: 7.22%
Bakatin: 4.22%
Makashov: 3.99%
Turnout: 75.20% (Russia overall: 76.66%)

Sources: *Rossiiskie regiony nakanune vyborov-95* [*Russian regions on the eve of 1995 elections*], Moscow: Yuridicheskaya Literatura, 1995; *Itogi vyborov 17 dekabrya 1995 goda po regionam* [*Results of the 17 December 1995 elections, regional breakdown*], Moscow: Panorama, 1996; *Vybory deputatov Gosudarstvennoi Dumy 1995* [*State Duma elections 1995*], Moscow: Central Electoral Commission, 1996; *Gubernatory Rossii* [*Governors of Russia*], Moscow: AO Solid, 1996; S.A. Nagaev and A. Woergoetter: *Regional Risk Rating in Russia*, Vienna: Bank Austria, 1995.