

Investment Risks in Russia's Regions: Political and Legal Origins

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The study focuses on different approaches to the determination of origins of political and law investment risks and respective factors of economic growth. It is supposed to extend the approach based on singling out only economic freedoms and guarantees of ownership, and include indicators reflecting the situation concerning the basic rights, first of all related to the guarantees of inviolability of person and the populace's demand on these institutions.

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«...freedom of religion; freedom of the press, and freedom of person under the protection of the habeas corpus, and trial by juries impartially selected. These principles form the bright constellation which has gone before us and guided our steps through an age of revolution and reformation».
Thomas Jefferson, from the first Inaugural Address, March 4, 1801

Defining the problem

Even before Adam Smith, who stated that reasonable laws are instrumental for economic growth, ancient Jews and Greeks believed that the adoption and enforcement of such laws lead to prosperity.

It seems obvious that risks related to factors threatening the personal security of an investor should be taken into account when taking investment decisions at any level (from expenses for higher education to the development of a large mineral deposit). Moreover, to ignore these risks means to doubt a key assumption of the economic theory about the rationality of a “economic man”.

The work on a formalized description of regional specifics of Russia’s political and legal culture and institutions and the determination of key factors affecting the vector and rate of economic development of Russia’s regions demonstrated the importance of taking into account such risks and allowed to find out a number of data arrays illustrating the importance to take into account not only threats to private property (barriers to the movement of goods, state regulation of prices), but also basic rights (inviolability of person, freedom of speech). These factors not only guarantee that individuals have a minimal possibility to use their property at their discretion, but also ensure the transparency, which is a must for the modern economy. They may be viewed as an enhancement of inviolability and security of person (even if this person propagates “wrong views,” or professes a “false” religion).

The stability and long standing of guarantees of basic rights, in their turn, depend on the demand for these institutions on the part of the population and regional elites formed in the results of elections. In order to evaluate this demand there were used the data of electoral statistics (the State Duma elections held in 1993 through 1999).

Literature Review

A large number of studies focuses on investment risks (see, for instance, the review by Podkoložina, 1996). At the same time, all the methodologies suggested and used by the authors are based, on the one hand, on objective data of economic statistics, partly rather relevant (for instance, inflation rates in diapasons close to hyperinflation may be used in order to evaluate the threat of political turmoil; the budget deficit is an even more indirect indicator). On the other hand, they are based on numerous and rather subjective expert evaluations of political risks.

The political factors behind economic growth and institutional factors directly related to political choice are analyzed in a rather large number of studies. First of all, it is necessary to

mention “The Rise and decline of nations” by Mancur Olson, who explained economic growth (inversely) via conditions facilitating the growth of distributional coalitions and special interest groups, and works by D. North (see, for instance, North, 1990). However, these studies do not put the stress on the above mentioned basic rights (may be due to the natural for Anglo-Saxon countries attitude to these rights as something “customary” and not needing a special mention). Olson derives his conclusions from models built on the base of American economic historical statistics, where observations are the data collected across individual states.

A large number of studies focusing on the influence of institutional factors on the conditions of economic growth points out a significant positive relation between the level of economic freedom (however, it is also evaluated using a rather large number of expert assessments) and economic growth – see, for instance, Gwartney, Lawson (2000); Gwartney, Holcombe, Lawson (1998), Wu, Davis (1999). At the same time, these studies either fail to address to the rights not related to formal guarantees of private property, or (as the latter authors) directly oppose economic freedoms to “political” ones (democratic rights) as though assuming the absence of any other rights worth attention. The only, although important exception is the last published book by M. Olson (Olson, 2000), where he directly links the conditions of economic growth and risks of arrest or confiscation of property under autocratic regimes. However, the book comprises only arguments at the qualitative level.

The author explains the relatively low effectiveness of reforms in Russia by a large number of special-interest groups that remain since the time of “sclerotic degeneration communism” and their quick adaptation to new conditions. But the methods of formal analysis that were used by the author in “The Rise and Decline of Nations” (1982) as an illustration of group interests influence on income growth rates in different groups of states are inapplicable in Russian conditions.

Robert Cooter in his book (Cooter, 2000), which fast became popular, similarity to Olson stresses the independent value and importance of basic rights (for instance, freedom of speech). However, these rights are interpreted as certain additional goods, the significance of which may be compared and ranked (using practically the same ordinalist approach to the evaluation of usefulness that is adopted in microeconomics).

The book by Peter Murrell (Murrell, 2001) and a number of presentations by other authors, mainly cooperating with the University of Maryland Center for Institutional Reform and the Informal Sector (IRIS) founded by Olson, are most close to this study in terms of its methodology and the purpose to quantify the value of a number of institutions (including legislation and judicial practices using entrepreneurial surveys and statistics). However, the book also focuses on practices of economic disputes and enforcement of economic law. Therefore, the separation of “political” rights from economic rights¹, guarantees of private property, rejection of guarantees of basic rights (at least in studies using the formalized quantitative analysis) are the shortcoming of a large number of studies focusing on political and legal investment risks and institutional factors of economic growth.

Leon Aron (2002) in his report at the annual conference organized by Institute of the Economy in Transition points out to the problem of “voting labour excessive population”. This kind of a situation, as is emphasized by the author, is unmatched in the world history and puts the

¹ It is especially apparent in the work by Wu and Davis (1999)

reformers' efforts in jeopardy, as far as the part of the population that is afraid of reforms has a well-structured political party at their service.

We share L. Aron's anxiety and think that also due to the mentioned problem political preferences of the population of an economy in transition are capable of a considerable influence on investment risks. Hence, in our model we use electorate statistics to do quantitative estimates of popular demand for institutions that effectively support the market (both a positive, and a negative demand). Moreover, these indices also show to what extent the population is adapted to the new economic reality (see in V. Mau, K. Yanovskiy, S. Zhavoronkov, D. Chorniy. 2001).

O. Kuznetzova (2002) points out to a high degree of correlation of institutional advances in regions (using showings from our previous research) and the urbanization level of regions (the share of population living in cities exceeding 100 thousand). A positive relation between electorate reforms support and the level of urbanization is evident. Though the clear character of this index speaks not only of its strong side. Being undoubtedly useful, this index is far too "complex", it comprises too many factors and doesn't explain the content of many relations. Among the basic factors, as we see it, are lower adaptation costs in big cities (it is easier to find a job, get an education and raise the level of one's skills). A bigger share of adapted population ensures a stronger support of reforms and influences their effectiveness.

The present research directly continues the studies under the "Political and Economic Problems of Russian Regions" project, the results of which were presented in papers "Political and Economic Problems of Russian Regions" (Yanovskiy K., Zhavoronkov S., Kochetkova O., Mazhuga F., Chorniy D, Pier-Marseille De Jardin, Paul Hobson, Donald Savoie, 2001), and "Political and Legal Factors of Economic Growth in Regions of Russia" by V. Mau, K. Yanovskiy. As in previous studies we used formalized descriptions of legal normative documents (in form of a set of logical variables) and law enforcement proceedings (judicial statistics). Some of these additional findings that are used to explain differences in investment climates in regions are described below in the "Models" unit.

As in previous researches the source material was an in-depth qualitative analysis of political and economic problems' influence on changes in the relative investment attractiveness of regions. Such an analysis was done for Irkutsk oblast, Yamalo-Nenetskiy okrug and Stavropol kray (Russia) and Quebec (Canada).

Data

This study utilizes court statistics (as broken down by region) collected in 1999 through 2000, formalized data on independent mass media and human rights organizations in Russia's regions, regional legislation, enforcement practices, and data on the stability of political power and on reflection of conflicts between the authorities of different levels by mass media.

Dependent variables were taken from standard collections of official economic statistics.

The Chechen and Ingush Republics, as well as autonomous okrugs were excluded from the analysis due to the lack of data necessary for the analysis (first of all, economic and court statistics).

Models

1. The study “Politico-Economic Problems of Russia’s Regions” elaborated a model and methodological approaches focusing on the influence of certain origins of risks (political and legal) on the behavior of investors that became the basis of this work. Therefore, below we present the key aspects of the model contained in the study published in 2001.

The study analyzed political and legal factors of economic growth. Due to the problems related to the adequacy of official statistical data on the dynamics of Gross Regional Products, the relatively reliably registered indirect indicators characterizing the living standards of the population were used as dependent variables (for instance, the number of cars per 1000 residents). The following data were used as the independent variables:

Court statistics related to the number of appeals against unlawful arrests, the share of judgements passed by district courts and reversed by cassation instances;

The data related to the activities of human rights organizations (reception offices and / or web sites in the region, occurrence of cases won in courts, presence of human rights organizations networks in the region);

The data about the presence of non-Communist opposition mass media accusing regional authorities of incompetence, crimes, and amoral behavior);

The data related to the stability of governors’ power;

The data related to occurrence of limitations on export of products to other regions;

The data related to various methods of price regulation;

The data related to regional tax privileges².

A large number of interrelated and at the same time mutually complementary factors determined the feasibility to apply factor analysis and use principal components in linear regressions.

The resulting relation looks as follows:

$$\text{CARcoeff}_{99} = 187,9 + 9,1 * \text{Fact2} - 14,3 * \text{Fact3} + 12,8 * \text{Fact10} + 48,2 * \text{DummBord},$$

where:

CARcoeff_{99} is the increase in the number of cars per 1000 residents (from end-1991 to end-1999);

Fact2 is the second principal component characterizing primarily the activity of human rights organizations;

Fact3 is the third principal component, it is more difficult to interpret since it includes indicators characterizing the independence of mass media (biggest weights, negative signs); however, taking into account the fact that the third component is of negative sign across all three equations, the role of the independence of mass media positively affects the dynamics of economic processes; restrictions on merchantile additions and profitability levels, which are of positive sign in the principal component and therefore negatively affect the parameters of economic development; the reversion of judgements passed by district courts by cassation

² For details see: Yanovsky, Zhavoronkov, Kochetkova et al., (2001), and Mau, Yanovsky (2001)

instances, according to the model, also negatively affects economic growth, what is understandable since it is an evidence of the low efficiency of the judiciary in the given region.

Fact10 is the tenth component characterizing the situation with regard to the protection of human rights and individual tax privileges set by the executive authorities (the latter is difficult to interpret in the course of the aggregate national analysis).

DummBord is the dummy variable for regions bordering with Belarus and (across the sea) with Japan (from where cars, primarily used, are imported).

$R^2 = 28,8\%$ (prior to the inclusion of the dummy variable to the model R^2 made about 21 per cent).

Evaluating the influence of political and legal risks on the investment climate: a model

Description of variables

Independent variables

There may be singled out the following origins of political and legal risks, which potentially can affect economic growth. In most general terms two problems are important. On the one hand, it is the role played by basic institutions of the rule of law, first of all, guarantees of basic personal rights in the economic development of the modern Russia. On the other hand, it is the stability of political situation, reliability and predictability of the institutional system.

In principle, there is a large number of relevant indicators. They may be aggregated in four groups for the convenience of the analysis.

The first group comprises the indicators characterizing the personal safety. No doubt that this is the principal issue on which decisions related to the feasibility of entrepreneurial activities are based. Exactly the guarantees of personal safety reflected in the Habeas Corpus Act had laid the foundation of the business climate, which later resulted in the industrial revolution and turned Britain in a most developed nation of the world. The issue of personal safety is even more important than the problem of the safety of property. Since for any rational individual the loss of life (or a part thereof) and, as a rule, also the property (which often is the reason for the threat to the life and freedom) is the greater anti-good than the loss of property only. The basic rights traditionally (since the times of Locke) comprise the freedom of speech and religion (thought and conscience) and the right of judicial defense. In terms of methodology, it is feasible and reasonable to review them as necessary extensions of the inviolability of person – for instance, as the inviolability of a person having views and convictions different from those generally accepted or officially promoted. The freedom of speech (the availability of independent mass media) is not only the most important factor of additional guarantees of the inviolability of person and private property, but also a condition facilitating transparency of budgets and decisions taken by the authorities with regard to property, participation of the state in joint stock companies, etc³.

³ In Russia, this relation was most clearly manifested over the period under the left government headed by Ye. Primakov. Initially, the cabinet, which included a number of Communists,

This group comprises the data on the development of civil society institutions (including the activities of human rights organizations⁴), availability and activities of independent mass media.

The second group is related to the problems of stability of political system. In contrast to the preceding group these indicators shall reflect the stability of authorities notwithstanding their character. The stability of a political regime is also a factor of predictability of new developments.

The third group shall characterize the ability of the state to guarantee the stability of the economic system, first of all, to guarantee the execution of transactions. The central issue here is to ensure the actual guarantees of the ownership rights, the functioning of the judicial and law enforcement systems (as concerns the economic law and order).

The fourth group of problems describes the political activity of the state in the sphere of the economy. It concerns the effectiveness of the economic legislation, the level of regulation of entrepreneurial activities on the part of various government agencies, the character of tax system, etc. These issues are very important, although the experience reveals that they play a secondary role in comparison with general political factors.

All these groups and respective indicators in this or that way characterize the level of transaction costs related to the business operations in a given country (region). Transaction costs are the most general characteristic of the efficiency of economic and political interactions, however, in order to realistically evaluate them there is required not one, but a group of indicators.

In the four groups mentioned above, we shall find adequate quantifiable indicators (either having absolute values, or logical), which could effectively characterize respective processes and phenomena. These indicators will play the role of independent (explanatory) variables in the model.

Unfortunately, in practice it is impossible to offer a list of indicators, which would fully characterize the indicators we are interested in, due to the reasons mentioned above. There are either no measurements related to certain data we need for the study, or these data are incomparable across regions. Therefore, we have to use only available indicators, which permit to a certain extent characterize the groups of problems mentioned above.

The first group comprises variables allowing to evaluate the guarantees of the inviolability of person. In this case we shall turn to the data related to court statistics. According to the RF Ministry of Justice, 1000 persons were convicted of crimes defined in Article 19 of the RF Penal

announced measures of overtly populist nature inevitably resulting in the collapse of the financial system and hyperinflation. The new government was deaf to the criticism on the part of its political opponents, since the Leftists evaluated the outcome of their management of the economy as a catastrophe. However, the mass media began to discuss the details of the Cabinet's plans, publishing the opinions of experts who thoroughly explained the disastrous results of the measures originally proposed by the Leftists (not only for the nation, but also for the government itself). The macroeconomic course was radically revised, Ye. Primakov took a number of responsible and painful decisions, which brought about the financial stabilization and generated economic growth.

⁴ The processes for personal rights protection won in the courts we registered as independent variable for every region.

Code (“Crimes against the constitutional human and civil rights and freedoms”). The overwhelming majority of these persons were convicted of offences against the inviolability of dwelling and labor protection regulations. In the country at large, only a few dozens of persons were convicted of the violation of privacy, secrecy of correspondence, freedom of conscience, prevention of meetings, hindering the lawful activities of journalists, refusal to provide information to citizens (nobody was convicted of the latter crime), etc. There were registered several instances of conviction of the Penal Code articles protecting the inviolability of person (knowingly unlawful detention and arrest, interrogation under duress, falsification of evidence, etc.). However, there were also registered only a few dozens convictions related to these crimes over the year.

Such a scope of activity of the judicial system aimed to protect a most important institute of the open society does not permit to use these data as a usual variable weighted against the size of the population. However, it is possible to reflect the available data as logical variables: for instance, convictions in accordance to Article 19 – as the absence of such convictions, judgements related to the above mentioned provisions of the article “Offences against justice” – as the absence of such judgements. The situation in year 2000 remained practically the same. Therefore, we used the available data as broken down by region for year 2000 in order to explain indicators of 1999 proceeding from the static nature of the explanatory variable.

We used only four variables:

- The occurrence of even a single conviction in accordance with the Penal Code articles related to offences against the inviolability of person and the right of judicial defense.
- Occurrence of two and more convictions related to the above mentioned articles.
- Occurrence of a single conviction in accordance with articles related to the hindrance to professional activities of journalists.
- Occurrence of two and more convictions related to the above mentioned articles.

It is necessary to mention that we failed to obtain comparable data on a number of indicators of court statistics related to the share of reversed judgements passed by district courts and the substantiation of reversals⁵.

Similarly to the previous study, we used the data on the number of appeals against unlawful arrests and the number of positive judgements (satisfied appeals) passed in relation to such cases in 1999. This information is flawed in the way common for all court statistics. High values of these indicators may be both an evidence of a relatively satisfactory situation (especially in the beginning of reforms, when the norm is new and investigative agencies are not aware of the responsibility they take choosing arrest as the measure of prevention yet), and vice versa (in case the investigation still refuses to submit to the control on the part of the judiciary and takes large numbers of doubtful decisions).

However, for the modern Russia, where this and other imported norms have been used only since recently, the worst indication of the situation of guarantees of the inviolability of person is the

⁵ The transfer of statistics from the jurisdiction of the Ministry of Justice to the Court Department at the Supreme Court resulted in some useful aspects (certain guarantees of the independence of the judiciary); however, it also brought about some technical problems related to the collection of statistics, including those arising due to the difference in the methodological approaches employed by these agencies.

absence or negligible number of such claims and respective positive judgements. Therefore, we included this indicator in the model in spite of this flaw.

The variables suitable for the characterization of the state of the Russia's civil society and its ability to protect basic rights and freedoms are represented by a large group of data.

First of all, it shall be found out if human rights organizations having reception offices and web sites are present in a given region; their ability to win cases in courts (at least as consultants or organizations providing lawyers); presence of specialized human rights organizations networks in the region.

Five logical variables may characterize the situation of independent mass media. They include:

- Presence of non-Communist mass media criticizing regional authorities for incompetence, crimes, and amoral behavior;
- Presence of printing or broadcasting facilities of regional mass media with the same characteristics in the region;
- Presence of political mass media with foreign co-founders or being subsidiaries of foreign mass media;
- Presence of local mass media regularly re-broadcasting programs of foreign mass media;
- Presence of subsidiaries of Moscow-based mass media, correspondent networks of Moscow-based mass media.

The inclusion of the electoral statistical data in the model as an indicator of demand for institutions permitted to substantially extend the range of independent variables. They are three: Average percentage of the vote for right-wing liberal (conservative) ticket as per three polls (1993, 1995, 1999), average percentage of the vote for extremist ("right-wing" and "left" radical) ticket, and the similar indicator of voting for the ticket mobilizing "social democratic," or, more precisely, non-Communist conformist electorate.

For detailed description of the methods for "sorting" parties and tickets by three "brackets" see: Mau, Yanovsky, et al., 2001 – 2.

The second group of variables shall characterize the political stability in the modern Russia. In this case we base our analysis on two indicators.

The first variable reflects conflicts between the governor and the major of the regional center, representatives of the federal authorities, and large businesses. It is a very important indicator characterizing the political system in a given region. It would be a mistake to arrive to the conclusion that in case there are no such conflicts, the region enjoys political stability. At the present stage of the social and economic transformation of the country, conflicts between representatives of major influence groups are quite natural, and the open form of such conflicts is rather an evidence that regional elites are capable of civilized (transparent) political struggle. It is especially true with regard to conflicts between governors and majors of large cities, since these conflicts exert stabilizing influence on the political process, as they make objective contradictions open both for the citizens, and the federal authorities⁶.

The second variable reflects the stability of the governor's power per se, i.e. the indicators registering the succession of heads of RF subjects in 1992 through 2000. The practices observed

⁶ For details see: Mau, 1998.

over the last decade demonstrate that in the overwhelming majority of cases a stable position of the regional head makes his politics more stable and predictable. These policies are not always effective (for their evaluation see the fifth group of indicators below); however, their predictability is exceptionally important for economic agents to take their decisions. Besides, in general longer tenures facilitate “economic rationalization” of leaders, both due to the accumulation of practical experience, and the process of transformation of “wandering bandits” into “stationary” ones.

The third group of indicators is represented by the data characterizing the quality and effectiveness of the regional law enforcement systems, the quality of investigation agencies (and partially courts themselves). This problem is actual for post-communist countries, especially for Russia, where the absence of tradition and, therefore, a reliable system of law enforcement plays more important role than the state of the legislative base. These data are the most important indicator of the level of transaction costs. The state of the legislative base to a certain extent also characterizes the situation related to the protection of rights (inviolability) of person, since the information presented in the first group of variables certainly is insufficient.

This group comprises such data as: the number of cases submitted for re-investigation (weighted against the size of the population); the share of judgements passed by district courts with regard to criminal and civil cases reversed by cassation instances; number of sentences vacated due to unjustified conviction (also weighted against the size of the population). Certainly, the delineation of the indicators of this and the first group is conventional.

At last, the fourth group of indicators reflects the character of economic policies pursued by regional authorities. In this group it is possible to use a number of logical variables reflecting the specifics of regional economic law including the variables reflecting the occurrence of anti-Constitutional bans or restrictions on the movement of goods across the national territory, restrictions on the freedom of price formation (what in fact restricts the right of private property).

We use the following variables reflecting economic policies of regional authorities:

- Regional normative acts (in effect or abolished by protests of the prosecutor’s office) aimed to fix prices;
- Normative requirements for pre-arranging prices with consumers and / or authorities, or other similar procedures;
- Prohibition and other administrative limitations on export of products to other regions;
- Five of more price regulation laws in effect in the region.

Dependent variables

At the current stage of the study we analyze the influence of institutional factors on the indicators of investment activity in the private sector. There were selected direct foreign investment and the number of employees at small enterprises. The choice of these indicators is related both to the specifics of official statistics (they are key indicators permitting to single out new businesses relatively uncontrolled by local and regional authorities). Behind the (as a rule, successful) attempts of regional authorities to establish control over large enterprises located within the regional territories are, first of all, political considerations. Motives of the managers of such enterprises taking investment decisions and their investment objectives probably significantly differ from those of enterprises in the selected groups (however, this assumption requires examination). To a considerable extent, the same is true with regard to affiliated with

the federal authorities large enterprises belonging to the fuel and energy complex, which were excluded at the present stage of research.

In order to evaluate the results, it is necessary to take into account the problem of interdependency of dependent variable and certain independent variables. For instance, it is apparent that in the Soviet times megalopolises “pumped out” human capital from relatively underurbanized regions, including people inclined to independent entrepreneurial activities. As a result, by the beginning of reforms (cooperatives in late 1980s) capitals and large cities accumulated an “overhang” of individuals having bent for business who could not realize themselves under socialism. At the same time, psychologists observed that individuals inclined to independent entrepreneurial activities and optimistic about their perspectives on the competitive market more often expressed support for right-wing liberal (liberal democratic) forces yet in 1992.

This interrelation is partially confirmed by the survey data related to the parameter reflecting the adaptation of supporters of different parties, which demonstrated that the majority of constituents who adapted to the market supported the Union of Right Wing Forces in 1999, while the majority of those failed to adapt supported the Communist party.

However, this advantage of urbanized regions, from our point of view, does not diminish the value of the appraisal of influence of already formed conditions (including the demand for institutions) on the investment climate. The more money you have, the easier it is to borrow, the more small businesses you have, the less are the costs of the start of yet another business project.

In order to avoid deviation, which might result from such an overhang, we used a dynamic indicator – the ratio between the average number of those employed at small businesses in 1999 (the last available indicator) and the similar indicator for 1995, when this indicator reached its peak value followed by a still continuing decline. The assumption that the aforementioned “overhang” ceased to significantly influence the dynamics of this indicator by 1995 looks rather reasonable.

Table 1. Description of variables

	Variable	Description
Dependent variables		
1	SMBEMPL01	Average number of those employed at small businesses in 2001
2	SmBempl_Dyn01	Ratio between the average number of those employed at small businesses in 2001 and the level registered in 1995
3	FOR_DIRINV	Direct Foreign Investments 1996-1999
Independent variables		
1	COURTDEFDM1	The occurrence of even a single conviction in accordance with the Penal Code articles related to offences against the inviolability of person and the right of judicial defense
2	COURTDEFDM2	The occurrence of even a single conviction in accordance with the Penal Code articles related to offences against the inviolability of person and the right of judicial defense
3	frepr_dm1	The occurrence of even a single conviction in accordance with the Penal Code articles related to offences against free press and free access to information

4	frepr_dm2	Occurrence of two and more convictions related to the above mentioned articles
5	SMIRAT99	Freedom of speech ranking for 1999
6	SMIRAT00	Freedom of speech ranking for 2000
7	OPPSMI	Presence of non-Communist mass media criticizing regional authorities and administration of large cities
8	opp_smi_loc	Mass media (printed within the region and broadcasting from the territory of the region)
9	foreign_share	Political mass media with foreign co-founders or being subsidiaries of foreign mass media
10	for_retrans	Local mass media regularly re-broadcasting programs of foreign mass media
11	cap_net&forco	Subsidiaries of Moscow-based mass media, correspondent networks of Moscow-based mass media
12	HROpr	Presence of human rights organizations having reception offices and / or web sites in the region
13	HROactCourt	Occurrence of cases won in courts
14	HRO_net	Presence of specialized human rights organizations
15	Reinvestig99	Number of cases submitted for re-investigation, 1999
16	Reinvestig00	Number of cases submitted for re-investigation, 2000
17	arrestappeal99	Number of appeals against unlawful arrests, 1999
18	arrappealeffect99	Number of appeals against arrests, of which were satisfied, 1999
19	Arrestappeal00	Number of appeals against unlawful arrests, 2000
20	Arrappealeffect00	Number of appeals against arrests, of which were satisfied, 2000
21	appeal_ag_board99	Number of appeals against unlawful actions of collegial authorities, public organizations, 1999
22	app_a_board_des99	Number of courts' decisions on this appeals, 1999
23	appeal_ag_board00	Number of appeals against unlawful actions of collegial authorities, public organizations, 2000
24	app_a_board_des00	Number of courts' decisions on this appeals, 2000
25	Nacthalt99	Regional normative acts abolished by courts' decisions, 1999
26	Nacthalt00	Regional normative acts abolished by courts' decisions, 2000
27	BARR99	Barriers to the movement of goods and services across Russia's regions in 1999
28	BARR01	Barriers to the movement of goods and services across Russia's regions in 2001
29	BANKR_EC	The number of pending bankruptcy cases, where there was introduced external management (data for year 2000)
30	EI99right	reformist parties electoral support, 1999
31	EI99extrem	anti-reformist coalitions electoral support, 1999
32	EI99confm	not-communist conformists lists electoral support, 1999
33	ConfI01	occurrence of conflicts between administrations and LA,

		mayor, business
34	FIXPRICE	Prices fixation by regional normative act
35	SOGLPRIC	Pre-arranging prices with consumers and / or authorities, or other individual procedures
36	OGRPRICE	Setting bounds to mercantile additions to prices, levels of profitability, etc.
37	LAW5	Five of more price regulation laws are in effect in the region

Table 2.

(see attached exl file)

Principal results

The matrix of principal components received as a result of processing of the original variables' aggregate is given in Table 4. Also there (in the table itself) the most significant variables are noted and a short interpretation of all main components is given (in headings).

$$SmBempl = 35,753 + 3,686 * Fact2 + 15,729 * Fact4 + 4,839 * Fact9$$

Where SmBempl is the number of employees at regional small businesses;

Fact2 is the 2th principal component where Human Rights NGO activity and the local authorities normative acts abolished by courts' decisions⁷ quantity, have the largest weights (respectively – positive and negative). That is why there can be given a strained interpretation of it as a reflection of warranty of rights provided by the civil society itself;

Fact4 is the 4th principal component, where electoral statistics (first of all, voting for right-wing liberal parties and blocs⁸) and certain variables reflecting the influence of independent mass media in the region have the largest weights; On the whole it reflects electoral preferences of the population and indirectly the degree of popular adaptation to market relations and a relatively free society.

Fact9 is the 9th principal component, where two variables reflecting the occurrence of convictions of crimes defined in Article 19 of the RF Penal Code “Crimes against the constitutional human and civil rights and freedoms” and Article 31 (“Offences against justice”) thereof (including unlawful arrest, falsification of evidence, interrogation under duress, etc.). This principal component reflects the importance of warranty of basic freedoms guaranteed by the state (to put it more precisely, by the judicial system).

$$R^2 = 0,521.$$

⁷ Caused by appeals, mainly private.

⁸ For the methodology of formal classification of parties and blocs see: Mau, Yanovsky, Zhavoronkov (2001).

$$\text{FOR_DIRINV} = 49,1 + 291,8 * \text{Dumm_rent} + 72,0 * \text{Fact4}$$

Where FOR_DIRINV is direct foreign investment adjusted for the size of the population in 1996 through 1999;

Dumm_rent is the dummy for regions extracting oil and natural gas.

$$R^2 = 0,182$$

Thus, as in case of the first model (from the 2001 research), to most significant variables one can refer data on remedial organizations' activities. It is quite natural, that to the most significant variables are also referred for the first time introduced data on remedial practices that play an important role in securing rights and freedoms.

As for achieving a relatively high degree of the explanatory role of the model, that explains the variation of employment in small-scale business, as becomes visible from comparing the results of the 2001 researches and taking into account the results of the regression analysis using the dependence of 1-2 variables given below, the most important role was played by the variables, that was a part of the fourth multiplier (the electoral statistics).

A wider range of indices, enlarged by including information on inter-regional goods migration barriers, cases of price administration, establishment of external control, which is quite often used (especially at big enterprises) for hostile takeovers (by exerting administrative pressure on courts) 9, data on political conflicts does not increase the explanatory ability of the model when a wide range of variables choosing basic multipliers is used.

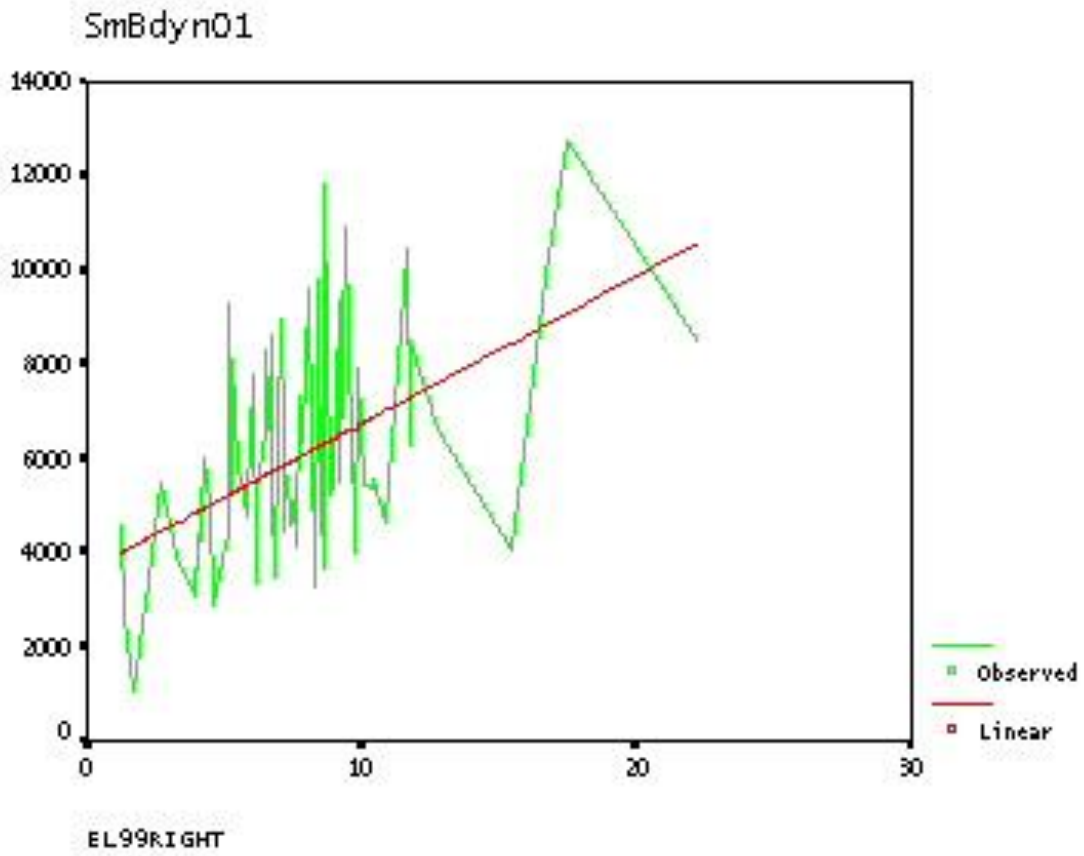
In cases, where there were used other sets of data (reduced with the aim to increase the "technological efficiency" - diminish the cost of data collection in order to organize regular monitoring), principal components, where largest weights are assigned to the aforementioned electoral variables, data on the court rulings, data related to the presence and activity of human rights organizations, and independent mass media (in simple regressions – these variables themselves), are significant.

Since this study was aimed to create a flexible set of tools permitting to evaluate political and legal risks in Russia's regions at moderate costs, we used a large number of simple regression dependencies. For the results, see the table below.

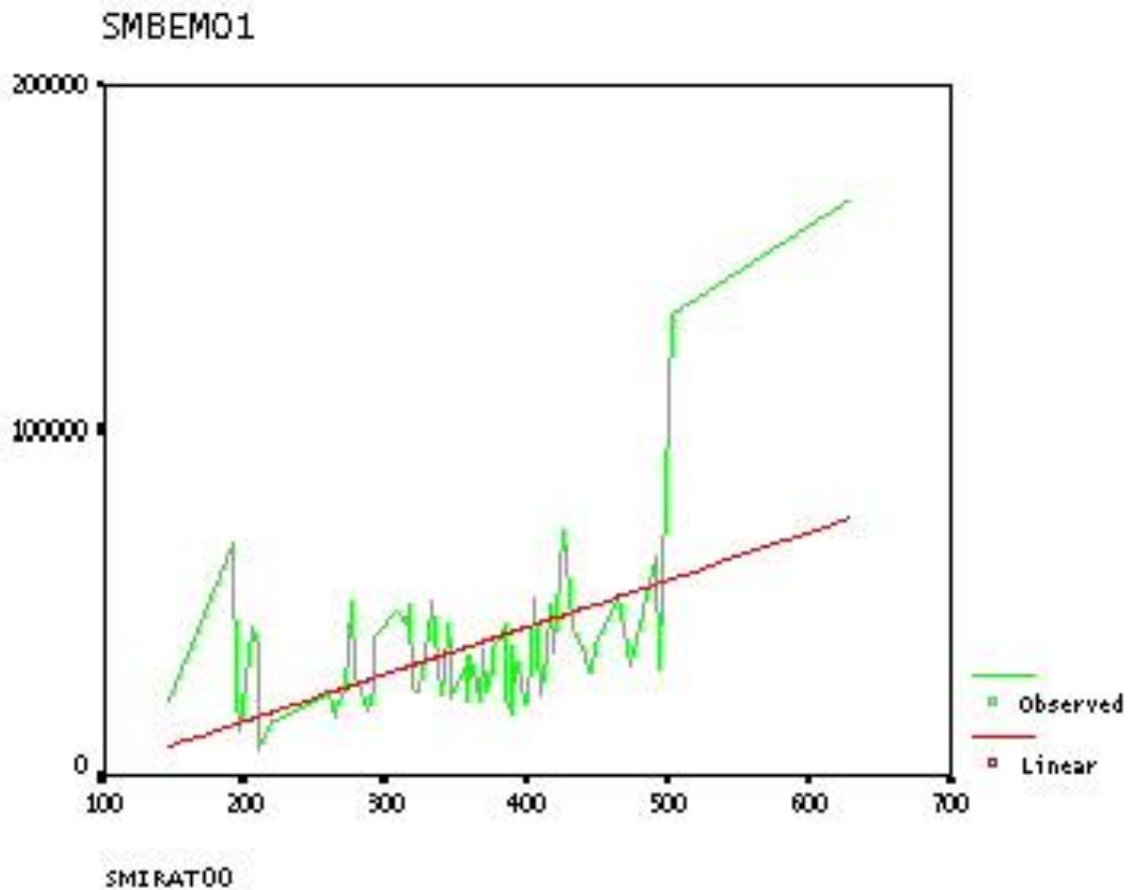
Table 3. Investment climate determinants' regression analysis results.

9 See in K. Sonin, Ye. Zhyravskaya, 2001, "Capture of Bankruptcy: Theory and Evidence from Russia" <http://www.cefir.ru/papers.html>

#	Dependent variables	Independent variables	R ² (adjusted R- square)	t-statistics
1. Regression dependencies (several variables)				
1	SmBempl_Dyn	2,017+ 1,410,5*EL99RIGHT+ 2,053,0*COURTDEFDM2+ 5,9*SMIRAT00	0,289	3,513 1,531* 2,076
2	SmBempl_Dyn	6020+ 1965* COURTDEFDM2+ 1211* HROactCourt	0,156	2,009 3,137
3	SMBEMPL	-11,349+ 2,049*EL99RIGHT+ 86,7* SMIRAT00+ 22,019* COURTDEFDM2	0,383	3,158 3,239 2,542
4	SmBempl_Dyn	3750+ 170,3*EL99RIGHT 1322,2* OPPSMI + 1977,6* CapNet&For	0,435	2,731 3,243 4,498
5	SmBempl_Dyn	5441+ 1,158,5*OPPSMI+ 1,414,8*CapNet&For+ 1,957,2*For_Retran	0,464	2,861 3,432 4,669
6	SMBEMPL	-7148+ 22587*COURTDEFDM2+ 119,6*SMIRAT00	0,308	2,461 4,578
7	FOR_DIRINV	155+ 307,4*Dumm_Rent - 148,9*RestPrice	0,172	3,557 -2,384
2. Regression dependencies (one variable)				
1	SMBEMPL	11,962+ 3,119*EL99RIGHT	0,217	4.667
2	SmBempl_Dyn ⁽¹⁾	3,606+ 315*EL99RIGHT	0,225	4.778
3	SMBEMPL	3,545+ 33,562*COURTDEFDM2	0,121	3.363
4	SmBempl_Dyn	5,849,4+ 2,377,4*COURTDEFDM2	0,06	2.319
6	SmBempl_Dyn	2230+ 10.9* SMIRAT00	0.165	3.974
7	SMBEMPL ⁽²⁾	-11480 + 136,4*SMIRAT00	0.260	5,233
8	SMBEMPL	37,075+ 11,167*HROACTCOUR	0,082	2,771
9	SmBempl_Dyn	6,162+ 1,315*HROACTCOUR	0,121	3,369
10	SMBEMPL	72,935- 990*EL99EXTR	0,102	-3,091



Picture 1. It illustrates the (2.2.) Dependency, Table 3



Picture 2. It illustrates the (2.6.) Dependency, Table 3

Table 3 provides sixteen relationships showing statistically significant influence of political and legal factors on variables. Calculations were made not only for those sixteen but for several dozen relationships (with different variables and combinations of variables). Given data were used not only among explained variables, but also data on administrative barriers, prices regulation, usage of external control in case of bankruptcy, normative legal acts' cancellation statistics etc. Also chosen for the table were dependences with the highest explanatory capacity among those tested, except for relationship 2.4, which is given for comparison with an analogous one.

Dependence 2.2. (employment dynamics in small-scale business – 2001 compared to 1995 – depending on the level of electoral support to right and liberal lists) and dependence 2.6. (the number of those employed by small-scale business in 2001 depending on the rating of the freedom of speech in 2000) are illustrated in diagrams (figures 1 and 2 correspondingly). The biggest trend deviations are manifested by capital regions, evidently having other significant factors, which are not taken into account in this group of models.

The intentional analysis of data received is directly connected with the major conclusions and is therefore given below. Here we will only point out to a high effectiveness from the point of view of an increase of the explanatory capacity of “political” showings” – the indicators of the freedom of the press and data on Right voting.

Such advantage means not so much special importance of politics as such. So, the importance of the political conflicts in regions has appeared rather low. Faster it is connected to still unsufficiently various and complete judicial statistics and, more widely, shortage in the given model and in general in accessible scientific toolkit of means of formal gauging of quality of institutes. Them to estimate, obviously, more difficultly, rather than data of electoral statistics.

A comparatively low significance of purely “economic” enforcement practices, which is pointed out to in the research on political and economic problems of Russian regions has nearly “come to a naught” when using data for the previous year, that is 2001. This can partially be explained by the results of the work to cancel legal normative documents, that contradict to the federal law and a lack of a set of instruments that can help measure and compare these showings of enforcement practices.

Annex 3 provides a table that arranges regions’ Rating. The Rating was made on the basis of the regression relation (1.4) from Table 3 to show the dynamics of the mean number of those employed by small enterprises. In this relation the mean number of those employed (SmBrat) is positive and depends on electoral support of the Right, liberal lists, on oppositional mass media in the region (OPPSMI) and a network of capital (foreign) correspondents (CapNet&For). The relation received can be depicted as $SmBRat = 3750 + 170,3 * EL99RIGHT + 1322,2 * OPPSMI + 1977,6 * CapNet\&For$, regions that were ranked come from our sample. Probably apart from the low ranking of Novgorod oblast, the table provided no surprises. The first ten position occupied by regions with the rather competitive market of MASS-MEDIA, high level of democratic political parties electoral support and, accordingly, this very regions enjoys the rather high level of business activity, independent of authorities: St.-Petersburg, Nizhniy Novgorod, Tomsk, Perm oblasts (areas), Moscow and Moscow oblast. Among regions with lowest Rating, closing the List, - Amur, Magadan, Oryol oblasts, Adygeya republic, Kabardino-Balkariya and Northern Osetia.

Though, by virtue of the clear reasons, the metropolitan regions and Frontier regions, (Primorye Territory, Bryansk area) demonstrate excess the “predicted” (with the help of the choused set of factors) level of small business development. Same phenomena appears for some of regions, in which large export manufactures (Vologda area) are located. A subject of the special research and separate analysis should become regions "undervaluated" by small business (Arkhangelsk, Murmansk, Perm, Tomsk area).

Table 4. Rotated Component Matrix

	Component								
	1 unlawful arrests problem	2 «Human Rights NGO - indicator»	3 Electoral behavior and local free press indicator	4 Reformists' electoral support and outsider (foreign) Mass-Media indicator	5 Investigation Bodies Failures	6 Free access to information court Defense	7 unlawful actions of collegial authorities, public organization s, 2000	8 unlawful actions of collegial authorities , public organizati ons, 1999	9 offences against the inviolabilit y of person prosecutio n by courts
Number of appeals against unlawful arrests, 1999	0,888	6,20E-02	-7,12E-02	7,29E-02	-6,02E-02	3,89E-02	-6,23E-02	-1,13E-02	-0,106
Number of appeals against arrests, of which were satisfied, 1999	0,9	-0,232	-9,28E-02	-4,72E-02	4,29E-02	-1,82E-02	2,70E-02	4,56E-03	2,51E-02
Number of cases submitted for re-investigation, 1999	3,09E-03	-4,08E-02	-2,90E-02	-7,62E-02	0,967	-3,31E-02	-5,18E-02	-7,91E-02	3,85E-02
Number of appeals against unlawful arrests, 2000	0,895	0,15	-3,24E-02	8,33E-02	-7,37E-03	9,06E-02	-7,27E-02	-5,33E-02	-4,28E-02
Number of appeals against arrests, of which were satisfied, 2000	0,874	-0,122	-2,47E-02	-0,126	0,132	-5,37E-02	-4,18E-02	-0,123	8,33E-02
Number of cases submitted for re-investigation, 2000	4,41E-02	-5,01E-02	-4,29E-02	-5,39E-02	0,963	-5,23E-02	-5,44E-02	-8,62E-02	6,03E-03
Number of appeals against unlawful actions of collegial authorities, public organizations, 1999	-8,04E-02	-7,94E-02	5,01E-02	-3,40E-02	-8,66E-02	-3,53E-02	5,55E-02	0,967	-6,81E-02
Number of courts' decisions on this appeals, 1999	-8,12E-02	-8,67E-02	5,16E-02	-5,22E-02	-7,82E-02	-3,40E-02	5,50E-02	0,968	-6,58E-02

	Component								
	1 unlawful arrests problem	2 «Human Rights NGO - indicator»	3 Electoral behavior and local free press indicator	4 Reformists' electoral support and outsider (foreign) Mass-Media indicator	5 Investigation Bodies Failures	6 Free access to information court Defense	7 unlawful actions of collegial authorities, public organization s, 2000	8 unlawful actions of collegial authorities , public organizati ons, 1999	9 offences against the inviolabilit y of person prosecutio n by courts
Number of appeals against unlawful actions of collegial authorities, public organizations, 2000	-6,57E-02	2,45E-02	3,75E-02	-5,96E-03	-5,05E-02	-1,43E-02	0,98	5,44E-02	-4,59E-02
Number of courts' decisions on this appeals, 2000	-6,87E-02	2,69E-02	4,64E-02	-1,35E-02	-4,82E-02	-1,43E-02	0,981	5,06E-02	-4,41E-02
Regional normative acts abolished by courts' decisions, 1999	0,184	-0,741	-0,121	-1,42E-02	3,82E-02	-2,98E-02	0,108	0,139	-5,56E-03
Regional normative acts abolished by courts' decisions, 2000	0,144	-0,586	8,41E-02	7,92E-02	8,05E-02	0,183	-9,62E-02	8,89E-02	-0,152
The occurrence of even a single conviction in accordance with the Penal Code articles related to offences against free press and free access to information	-2,74E-02	1,88E-02	-4,52E-02	-5,75E-02	-6,46E-02	0,933	-1,42E-02	-1,61E-02	-3,77E-02
Occurrence of two and more convictions related to the above mentioned	6,42E-02	2,35E-03	0,204	4,01E-02	-1,89E-02	0,863	-2,34E-02	-3,31E-02	-0,119

	Component								
	1 unlawful arrests problem	2 «Human Rights NGO - indicator»	3 Electoral behavior and local free press indicator	4 Reformists' electoral support and outsider (foreign) Mass-Media indicator	5 Investigation Bodies Failures	6 Free access to information court Defense	7 unlawful actions of collegial authorities, public organization s, 2000	8 unlawful actions of collegial authorities , public organizati ons, 1999	9 offences against the inviolabilit y of person prosecutio n by courts
articles									
The occurrence of even a single conviction in accordance with the Penal Code articles related to offences against the inviolability of person and the right of judicial defense	7,13E-02	8,54E-02	0,226	-0,188	-1,45E-02	-0,125	-9,35E-02	-0,141	0,795
The occurrence of even a single conviction in accordance with the Penal Code articles related to offences against the inviolability of person and the right of judicial defense	-9,77E-02	2,99E-02	9,78E-02	0,241	8,74E-02	-5,18E-02	-1,78E-02	-1,60E-02	0,762
Presence of human rights organizations having reception offices and / or web sites in the region, 2000	2,36E-02	0,75	-6,57E-02	2,04E-03	1,21E-02	6,79E-02	-4,13E-02	3,72E-03	-1,39E-02
Occurrence of cases won in courts, 2000 год	0,147	0,552	0,365	0,283	2,45E-02	6,67E-02	0,234	1,27E-02	-7,33E-02

	Component								
	1 unlawful arrests problem	2 «Human Rights NGO - indicator»	3 Electoral behavior and local free press indicator	4 Reformists' electoral support and outsider (foreign) Mass-Media indicator	5 Investigation Bodies Failures	6 Free access to information court Defense	7 unlawful actions of collegial authorities, public organization s, 2000	8 unlawful actions of collegial authorities , public organizati ons, 1999	9 offences against the inviolabilit y of person prosecutio n by courts
Presence of specialized human rights organizations net, 2000 год	0,234	0,593	0,452	0,164	8,68E-02	5,86E-02	0,138	4,62E-02	7,61E-02
reformist parties electoral support, 1999	0,259	0,234	0,293	0,655	-7,08E-02	-4,74E-03	-0,144	-5,02E-02	-0,156
anti-reformist coalitions electoral support, 1999	-0,25	-0,396	0,327	-0,49	-0,398	-0,333	2,88E-02	1,84E-02	-0,178
not-communist conformists lists electoral support, 1999	8,62E-02	0,268	-0,533	0,152	0,443	0,364	6,33E-02	2,43E-02	0,286
Presence of non-Communist mass media criticizing regional authorities ¹⁰ and administration of large cities	-0,101	7,07E-02	0,742	0,172	-4,30E-02	0,114	4,28E-02	8,10E-02	0,182
Mass media (printed within the region and broadcasting from the territory of the region)	-0,13	0,103	0,825	0,23	-3,62E-02	6,82E-02	2,66E-02	6,13E-02	0,197
Political mass media with foreign co-founders or	-0,191	-3,06E-02	0,434	0,612	-4,60E-02	4,83E-02	4,50E-02	-0,227	0,114

¹⁰ Blamed governor for immorality, OR for incapacity to act as regional leader OR for infringements of Law

	Component								
	1 unlawful arrests problem	2 «Human Rights NGO - indicator»	3 Electoral behavior and local free press indicator	4 Reformists' electoral support and outsider (foreign) Mass-Media indicator	5 Investigation Bodies Failures	6 Free access to information court Defense	7 unlawful actions of collegial authorities, public organization s, 2000	8 unlawful actions of collegial authorities , public organizati ons, 1999	9 offences against the inviolabilit y of person prosecutio n by courts
being subsidiaries of foreign mass media									
Local mass media regularly re-broadcasting programs of foreign mass media	-8,20E-02	-0,116	0,124	0,856	-1,45E-02	-9,77E-03	5,84E-02	-1,39E-02	6,25E-02
Subsidiaries of Moscow- based mass media, correspondent networks of Moscow-based mass media	1,20E-02	0,326	-8,92E-04	0,493	-0,2	-0,387	-6,54E-02	0,198	9,16E-02

Conclusions and avenues of further research

The obtained results allow to state that guarantees of the basic personal rights, including the inviolability of person, the freedom of speech, and the population's demand for institutions of the open society reflected by the support of right-wing liberal ticket in the course of the State Duma elections held in 1993 through 1999 significantly affect the investment climate. The failure to ensure these guarantees results in higher risks and less incentives for investment, especially long term investment.

At the same time, small firms, which bear especially heavy burden of costs related to the protection of their natural rights and lawful interests, are most sensitive to these parameters. These factors are considerably less significant in cases of relatively large investment projects implemented by foreign investors.

The obtained results shows the personal rights and freedoms guarantees importance and its' influence on the enterprise climate (especially clear demonstrated by dependencies 1.2, 1.5, 1.6 of the Table 3). This guarantees presence or absence, probably, influence through Investors individual Risks estimations.

It is important to note, that the models' importance and explanation power appreciably raised in a number of factors combinations. A combination "judicial protection of inviolability of the person plus Human Rights NGOs activity (outside of those the judicial statistics appeared statistically inconsistent for 95 % interval) explains up to 16 % of the regional variation of the employment in small business dynamics (1995-2001). Even more effective (with explaining ability up to 31 %) has appeared the judicial practice statistics and the Freedom of press rating - 2000 combination for an explanation of number engaged in small business in 2001 regional variation.

The significance of these factors even at the regional level (although the principal guarantees of basic rights are set at the national (federal) level render comparative international studies actual and promising. The countries in Transition formalized comparative analysis could give not only more high level of R^2 in models, but also would allow to estimate influence on success of transition, various institutional (legal) and political factors for the Transition successes¹¹. On the basis of such estimations it would be possible to develop the practical recommendations for drawing up of that set of institutes, which provide the Transition successes, and also at the choice of tools for such institutes construction and introduction.

¹¹ We means here the sustainable long-term growth under Rule of Law regime statute achievement.

The set of logical variables reflecting our methodological approach to the evaluation of the level of the freedom of speech in regions turns out to be no less effective (in terms of its explanatory power) than rankings by the experts of project “Public expertise: anatomy of the freedom of speech in Russia.”¹²

It certainly does not reduce value of work on drawing up of such ratings having a number of the important advantages (a great number of highly skilled experts who participated in the job, a high degree of refinement, etc). Though in our case – preparation of a set of instruments to make a valuation of political and judicial risks in regions with a minimal influence of subjective and badly comparable assessments - the instrument that represents a set of logic variables to describe the same frame of problems is much more suitable

The dummies reflecting the presence of foreign or capital-based mass media in the region significantly affected dependent variables considerably more often than the variable reflecting the presence of local mass media opposing the governor.

The variables that show the effect of basic rights’ guarantees, as well the variables that express electorate choices of the population turn out to be considerably more significant, than the excessive control indices (goods migration barriers, price administration). This is also confirmed by the conclusion made in our previous researches (Mau, Yanovskiy, 2001; Yanovskiy, Zhavoronkov and others, 2001).

Influence of political and legal problems on business climate described formally above has also been described at the qualitative level (see Annexes 4-7) for three Russian regions and one Canadian. The example of these regions visually demonstrated the conclusions that had been made as the result of a formal analysis of comparable parameters. The difference between Quebec and the Russian regions lies in the fact of a more or less visible forms of a negative and positive influence of political situation. At the macro-level it follows from a number of individual assessments of risks made by entrepreneurs and their ideas about inalienable rights that can be violated by the authorities. It is probable that an English-speaker can get shocked by a demand to go over to the French language when talking business to a lesser degree, than a small entrepreneur from Irkutsk having spent one week in local prison.

Quite evident is the negative influence on the image of Irkutsk oblast of the process of a full-scale redistribution of property started after 1999, including usage of shady trials (“Irkutskenergo”, the Aluminium plant in Bratsk) and pressure of law enforcement authorities on private companies that were supporting opponents of the governor (minority shareholder “Rusia Petroleum” – “Interros” or the majority shareholder “Ilim pulp” of the timber factory in Ust-Ilimsk”). Moreover, political instability and abruptness of the situation (as in Yamalo-Nenets autonomous okrug (region)) could lead to transfers of fixed assets and re-registration of big private enterprises from Tyumen oblast proper (a neighbouring oblast with Yamal), where in 1999-2000 there were conflicts about attempts of a force takeover of a number of enterprises (“Zapsibkombank”), and later political fights around governor elections. A long-term political instability connected with political struggle, weakness of regional authorities and conflicts between different power levels can in themselves create an unfavourable situation, as had been demonstrated in Tver oblast.

¹² See the materials related to the implementation of projects at www.freepress.ru . It is necessary to note the reasonably thorough specification and account for various factors affecting the freedom of speech used by the authors of the methodology and report.

The results received give grounds to give the following recommendation. The reformers that lack considerable resources for a political expansion shall focus their efforts, especially in periods between national elections, on elections of heads of executive authorities in “marginal” constituencies in regions. As the newest history shows, among such regions shall be counted the downgliding Chelyabinsk oblast that is gradually surrendering its positions after Sumin’s victory, and Novosibirsk oblast (the governor elections in 1999-2000), which possibly has not lost its chance to improve the investment climate considerably yet (a consistent adherent to reforms lost the election by a negligible margin, the winner was a moderate reformer that replaced a moderate adversary to reforms governor).

In the course of further research it would be feasible to analyze investment activity of large and medium sized domestic enterprises basing on the regional data.

The character of the next State Duma elections (to be held in 2003) will be of key importance for the feasibility of the approaches we suggested. The proper comparability of election results of the Yeltsin’s era and elections held under President Putin may be achieved only under a number of conditions. The minimal set of such conditions shall be as follows:

1. Approval of laws “On the Principles of Citizen’s Voting Rights” and “On the State Duma Elections,” which would sharply restrict the possibility of a mass dismissal of candidates and tickets in case such practices would not be administratively applied (for instance, an indication of the problem may become the dismissal of the ticket of a party having a faction in the III (VII) State Duma, or dismissal of more than 10 candidates from these parties in single-mandate constituencies, as well as incumbent deputies or persons having the formal status of political leaders (deputies of the Federation Council, deputies of regional legislatures)
2. Demonopolization and privatization of the federal media market (at least one of the national channels will be privatized and purchased by persons knowingly not affiliated with the present administration – it is apparent that both NTV and the Channel 6 have no economic guarantees of independence from the executive authorities¹³).

The content of certain variables can change in time. For example, after an acceptable level of personal immunity is achieved (which is only possible in a very long term), the number of redressed grievances on illegal arrests will be a warning of a region in trouble, rather than a sign of advance of local judges that can venture “extraordinary” deeds.

In cases of regress of democratic institutes a conflict between the executive and legislative powers of a region can during a certain period of time turn out to be a positive factor.

It should be acknowledged that in such a situation the practical value of results received (viewed them as a backbone of a stable set of methods to estimate investment ratings for regions) will be diminished, though on the other hand a considerable degree of freedom to research a society in transition will still be there.

13 For the list of formal requirements with regard to the guarantees for independent mass media and the competitiveness of the media market, see the annexed package of draft laws elaborated taking into account of the results obtained in the course of implementation of this and preceding project “Politico-Economic Problems of Russia’s Regions.”

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Annex

Annex 1. Regional Barriers in 2001

According to the RF Constitution (Article 74, item 1), “No customs frontiers, duties, levies, or any other barriers for free movement of goods, services, or financial means may be established on the territory of the Russian Federation.” However, the practice of setting various administrative barriers became a well known plague of the Russia’s economy.

A general trend of 2001, which continued a perceptible trend of 1999 and especially 2000 was a decline in the practice of setting new interregional administrative barriers. To a considerable degree, the enactment of amendments approved in 2000 with regard to the “so called strengthening of the federal vertical” accounted for these developments. Amendments to the Federal Law “On the General Principles of Organization of Legislative and Executive Bodies of State Power in the Russian Federation” give the President the power to suspend any local law and dissolve a legislature in the case it fails to comply with a court ruling conforming the requirement to abolish an anti-Constitutional local regulation within three months (for the governor this procedure may take up to two months).

The fact that so called “autumn crises” ceased in 2001 is no doubt among most positive trends of that year. (Traditionally, the majority of regions introduced bans or restrictions on export of agricultural produce). However, another widely practiced form of administrative barriers – bans or restrictions on import of alcoholic beverages developed further.

For the results of a monitoring of the RF subjects’ normative environment in 2001 see below. Normative acts setting different types of barriers to interregional movement of goods still in force are marked bold. References to documents abolishing these restrictions are not marked.

1. RESOLUTION of the Cabinet of Ministers No. 252 of July 19, 1997 stipulating A TEMPORARY RESTRICTION OF GRAIN EXPORTS OUT OF THE REPUBLIC OF ADYGEA

2. Decree of the President of Adygea No. 39 of March 19, 2001 abolished DECREE OF THE PRESIDENT OF ADYGEA No. 141 of September 5, 1994, ON MEASURES TO ENSURE REGULAR SUPPLY OF CONSUMERS WITH STAPLE FOODSTUFFS

4. RESOLUTION OF THE CABINET OF MINISTERS OF THE REPUBLIC OF BASHKORTOSTAN No. 129 of June 15, 2001, ABOLISHING CERTAIN RESOLUTIONS OF THE CABINET OF MINISTERS OF THE REPUBLIC OF BASHKORTOSTAN REGULATING THE TURNOVER OF RAW LEATHER AND FUR-COAT MATERIALS, LEATHER FINISHED AND INTERMEDIATE GOODS AND WOOL IN THE REPUBLIC OF BASHKORTOSTAN

5. RESOLUTION OF THE GOVERNMENT OF THE REPUBLIC OF DAGESTAN No. 32 of February 9, 2001, ON REGULATION OF IMPORTS AND EXPORTS OF VINE AND ALCOHOL PRODUCTS OUT OF THE TERRITORY OF THE REPUBLIC OF DAGESTAN

6. THE GOVERNMENT OF THE REPUBLIC OF KALMYKIA, RESOLUTION No. 76 of March 16, 2000, ON MEASURES AIMED AT REGULATING THE REGISTRATION

**OF LIVESTOCK AND PRODUCTS OF CITIZENS' PERSONAL SECONDARY PLOTS
IN THE REPUBLIC OF KALMYKIA**

**7. THE GOVERNMENT OF THE REPUBLIC OF MORDOVIA, RESOLUTION No. 209
OF July 25, 1995, ON THE FORMATION OF THE REGIONAL GRAIN FUND**

**8. THE CABINET OF MINISTERS OF THE Republic OF TATARSTAN, RESOLUTION
No. 642 of September 27, 1999, ON CERTAIN MEASURES FOR STABILIZATION OF
THE SITUATION ON THE CONSUMER MARKET**

9. RESOLUTION No. 817 of November 29, 2000, ON THE ABOLISHMENT OF CERTAIN
RESOLUTIONS OF THE CABINET OF MINISTERS OF THE Republic OF TATARSTAN
Abolish the following resolutions and orders of the Cabinet of Ministers of the Republic of
Tatarstan No 373 of July 14, 1998 "On Measures Aimed at Strengthening the State Control over
the Turnover of Alcoholic Products and the Procedure Governing the Quotation of Import
Thereof to the Republic of Tatarstan";

10. THE GOVERNMENT OF THE UDMURTIAN Republic RESOLUTION No. 182 of
February 12, 2001, ON THE ABOLISHMENT OF THE RESOLUTION OF THE COUNCIL
OF MINISTERS OF THE UDMURTIAN Republic No. 112 of March 19, 1994 "ON
ORGANIZATION OF THE REGISTRATION OF EXPORTS OF CERTAIN TYPES OF
PRODUCTS AND GOODS OUT OF THE UDMURTIAN Republic"

11. ADMINISTRATION OF THE ALTAI KRAI RESOLUTION No. 539 OF July 10, 2000, ON
THE ABOLISHMENT OF NORMATIVE LEGAL ACTS APPROVED BY THE KRAI
ADMINISTRATION

12. RESOLUTION OF THE ADMINISTRATION OF THE ALTAI KRAI No> 35, of January
17, 2000, ON THE SYSTEM OF IDENTIFICATION OF NON-ALCOHOLIC BEVERAGES,
MINERAL AND NATURAL DRINKABLE WATER. Items enacting mandatory requirements
of "identification" were abolished by a ruling of the Altai Krai court of December 26, 2000
(came into force on February 27, 2001).

**13. THE HEAD OF THE ADMINISTRATION OF THE KRASNODAR KRAI, ORDER
No. 518-r of April 27, 1999, ON THE INTRODUCTION OF A TEMPORARY PERMIT-
BASED SYSTEM OF EXPORTS OF OIL PRODUCTS OUTSIDE THE KRAI
BOUNDARIES AND MEASURES AIMED AT PROVIDING CONSUMERS WITH
MOTOR TYPES OF FUEL**

**14. THE ADMINISTRATION OF THE KRASNOYARSK KRAI, RESOLUTION No. 545-
P of July 27, 2001, ON ORGANIZATION OF HARVESTING WORKS AND ON
ENSURING FOOD SAFETY OF THE KRASNOYARSK KRAI**

15. THE HEAD OF THE ADMINISTRATION OF THE KHABAROVSK KRAI,
RESOLUTION No. 358 of September 10, 1998, ON CERTAIN MEASURES AIMED AT THE

PROTECTION OF THE KRAI'S ECONOMY IN THE SITUATION OF THE GOVERNMENT AND FINANCIAL CRISIS (as amended by resolution of the administration's head No. 382 of September 28, 1998, No. 450 of December 30, 1999, and No. 10 of January 9, 2001). Abolished on January 1, 2002

16. THE HEAD OF THE ADMINISTRATION OF THE ASTRAKHAN OBLAST, RESOLUTION No. 166 of March 29, 2001 ON THE ABOLISHMENT OF RESOLUTION OF THE HEAD OF THE OBLAST ADMINISTRATION No. 207 OF June 15, 2000 "On the Approval of the Registration Procedures for Contractual Documents with regard to Fish Exports outside the boundaries of the Astrakhan Oblast."

17. THE ADMINISTRATION OF THE BRYANSK OBLAST No. 304 OF June 29, 2001, ON THE ABOLISHMENT OF CERTAIN RESOLUTIONS AND ORDERS OF THE OBLAST ADMINISTRATION (No. 120 of March 10, 1999, "On Certain Measures Aimed at the Stabilization of the Situation at Enterprises of the Oblast's Food Industry)

18. THE ADMINISTRATION OF THE VORONEZH OBLAST, RESOLUTION No. 56 of January 22, 2001, ON BRINGING OBLAST ADMINISTRATION'S RESOLUTION No. 232 of March 18, 1999 "On the Regulation of the Issuance of Permits to Export Agricultural Produce outside the Oblast Boundaries" INTO CORRESPONDENCE WITH THE FEDERAL LEGISLATION

19. THE ADMINISTRATION OF THE VORONEZH OBLAST, RESOLUTION No. 645 of May 20, 1994, ON THE STABILIZATION OF THE PROVISION OF THE LOCAL MARKET WITH MEATS AND MEAT PRODUCTS

20. THE ADMINISTRATION OF THE KIROV OBLAST, RESOLUTION No. 418 of November 14, 2000, ON THE AMENDMENT OF THE OBLAST GOVERNOR'S RESOLUTIONS No. 73 of March 14, 1997, No. 84 of March 24, 1997, AND No. 314 of August 31, 1999 (On Control over Exports of Rough Logs and Rational Use of Forestry Resources in the Territory of the Kirov Oblast")

21. THE GOVERNOR OF THE KURSK OBLAST, RESOLUTION No. 490 of August 5, 1999 ON THE IMPLEMENTATION OF THE KURSK OBLAST GOVERNOR'S RESOLUTION No. 425 OF July 9, 1999, "On the Formation of the Regional Fund for Agricultural Produce, Raw Materials, and Foodstuffs for Year 1999," No. 452 of June 20, 1999 "On Measures Ensuring that Economic Entities of the Agro-Industrial Complex of the Kursk Oblast Repay the Commodity Credits Granted in 1997, 1998, 1999 by Budgets of All Levels and Extra-Budgetary Funds and Wage and Salary Arrears to the Employees of the Agro-Industrial Complex," No. 454 of June 20, 1999, "On More Stringent Measures Aimed at the Formation of the Oblast, District, Town Funds for Agricultural Produce, Raw Materials, and Foodstuffs for 1999 through 2000," No. 459 of June 27, 1999, "On the Approval of the Procedure Governing the Financing, Transfer, and Use of Financial and Material Resources by the Administrative Territorial Entities (Districts) and the State Unitary Enterprise (GUP) 'Oblastnaya Prodovolstvennaya Korporatsiya (Regional Food

Corporation)' in the Course of Formation of Regional Funds for Agricultural Produce, Raw Materials, and Foodstuffs," No. 460 of June 27, 1999, "On the Approval of the Procedure Governing the Transfer and Use of Financial and Material Resources by the Oblast Town Governments for the Formation of the Regional Fund for Agricultural Produce, Raw Materials, and Foodstuffs," No. 483 of August 2, 1999, "On the Commission for the Formation of the Regional Fund for Agricultural Produce, Raw Materials, and Foodstuffs for 1999 through 2000"

22. THE HEAD OF THE ADMINISTRATION OF THE LIPETSK OBLAST, RESOLUTION No. 112 of July 14, 2000, ON THE ABOLISHMENT OF THE HEAD OF THE OBLAST ADMINISTRATION No. 12 of January 26, 1999, "On Temporary Measures Aimed at the Restriction of the Export of Agricultural Produce outside the Oblast's Boundaries";

23. THE HEAD OF THE ADMINISTRATION OF THE OREL OBLAST, RESOLUTION No. 63 of February 13, 2001, ON BRINING NORMATIVE ACTS ISSUED BY THE HEAD OF THE OBLAST ADMINISTRATION IN CORRESPONDENCE WITH THE FEDERAL LEGISLATION (No. 339 of June 26, 1998 "On the Conditions and Procedures with regard to the Granting to Legal Entities Engaged in Trade with Alcoholic Beverages Imported to the Oblast the Status of Legal Entities Accredited by the Administration of the Orel Oblast for the Right to Independently Determine the Legally of its Production and to Check its Quality," No. 489 of September 1, 1998 "On Granting Enterprises Producing Alcoholic Beverages in the Territory of the Orel Oblast the Right to Identify the Quality of Production," No. 32 of January 18, 2000, "On the Introduction of Additional Measures Aimed at the Protection of Consumers from Low Quality Alcoholic Products," No. 165 of April 4, 200, "On Measures Aimed at an Increase in Production and Sales of Products Subject to Excise Taxation")

24. THE HEAD OF THE ADMINISTRATION OF THE ROSTOV OBLAST, RESOLUTION No. 28 of January 17, 1992, "ON RESTRICTIONS UPON EXPORTS OF CONSUMER GOODS OUT OF THE ROSTOV OBLAST

25. THE GOVERNOR OF THE SARATOV OBLAST, RESOLUTION No. 520 of September 9, 1998, ON THE REGULATION OF THE EXPORT OF AGRICULTURAL PRODUCE OUT OF THE SARATOV OBLAST

26. THE ADMINISTRATION OF THE SMOLENSK OBLAST, RESOLUTION No. 477 of September 9, 1998, "ON URGENT MEASURES AIMED AT PROTECTION OF THE SMOLENSK OBLAST CONSUMER MARKET AND STOCK THE REGIONAL RESERVE FUND WITH FOODSTUFFS FOR BUDGETARY NEEDS

27. THE ADMINISTRATION OF THE TAMBOV OBLAST, RESOLUTION No. 545 of November 10, 1994, ON SETTING QUOTAS FOR STAPLE FOODSTUFFS

28. THE HEAD OF THE ADMINISTRATION OF THE CHITA OBLAST, RESOLUTION No. 39 of January 18, 2001, ON FURTHER MEASURES AIMED AT THE

REGULATION OF ACTIVITIES RELATING TO PROCUREMENT, TRANSPORTATION, AND SALES OF TIMBER IN THE CHITA OBLAST.

29. THE HEAD OF THE ADMINISTRATION OF THE CHITA OBLAST, RESOLUTION No. 1082 of October 7, 1999, ON MEASURES TO ENFORCE THE FULFILLMENT OF CONTRACTUAL OBLIGATIONS TO THE REGIONAL (OBLAST) FUND FOR FOODSTUFFS AND RAW MATERIALS ON THE PART OF AGRICULTURAL PRODUCERS

30. THE ADMINISTRATION OF THE KOMI PERMYAK AO, RESOLUTION No. 178 of September 1, 1999, ON THE REGULATION OF EXPORTS OF AGRICULTURAL PRODUCE, RAW MATERIALS, AND FOODSTUFFS OUT OF THE TERRITORY OF THE KOMI PERMYAK AO

31. YEVREYSKAYA AO. RESOLUTION OF THE GOVERNOR OF THE YEVREYSKAYA AO No. 128 of May 10, 2000 “ON FURTHER MEASURES AIMED AT THE REGULATION OF THE TURNOVER OF ALCOHOLIC BEVERAGES IN THE OBLAST TERRITORY has been abolished (Resolution No. 166 of July 16, 2001)

Annex 2. Canadian Insights and Perspectives

Some Effects n Investment of the Election in Quebec of the Parti Quebecois¹⁴

¹⁴ Since 1976 and Subsequently

Terms of Reference and Methodology

This is a complex and contentious area, many elements of which have been analysed and debated at great length over the last 20 years, and especially in the context of the two Quebec referenda (in 1980 and 1995). The aim here is to keep the perspective at a high level in order to “see the forest for the trees” so to speak. In doing so, the approach will be to stress facts, and to note widely accepted views, especially those of investors.

Part One: Background - Quebec & Montreal, Nationalism & Separatism

Confederation in 1867 effected two things relevant for present purposes.

First, it created a “federal” country - with the power to pass laws divided by lists of subject matters between the national (“Dominion” or “federal”) government on the one hand, and the various provincial governments on the other. The federal government, for example, was given powers over “peace, order and good government” generally, “banks and banking”, and “trade and commerce”; and the provinces were given powers over “property and civil rights”.

This “property and civil rights” provincial power should be underlined here because it is the base for provincial jurisdiction over the law of contract (which in Quebec is governed by “civil law”, while the rest of Canada is “common law”), and over the regulation of many aspects of many financial services, including: securities and investments.

Second, it gave the population, subdivided by province, the right to elect members of their respective provincial Legislatures (Quebec calls its Legislature the “National Assembly”) and the population, of the country as a whole, the right to elect members of Canada’s House of Commons (“Members of Parliament”) - on a “representation by population” basis (originally 82 Ontario, 65 Quebec, 19 Nova Scotia, 15 New Brunswick), and gave the federal government the right to appoint members of Canada’s Senate - on a fixed number of senators per province basis (with the original numbers: 24 Quebec, 24 Ontario, 24 Maritimes [12 Nova Scotia +12 New Brunswick]).

Currently Quebec has:

- (a) 24 Senators - *vis a vis* 105 in total, of which Ontario also has 24; and
- (b) 73 Members of Parliament - *vis a vis* 301 in total, of which Ontario has 102.

Accordingly, for law-making, Quebec has always had, and retains, substantial representation in the national Parliament, though, proportionately, less over time in the House of Commons, as Quebec’s population grows by relatively less than the rest of the country. (And, normally, through its members’ support for the government party, Quebec has had substantial representation in the federal cabinet. Indeed, a number of Prime Ministers have been Quebec based, including: Laurier, Trudeau, Mulroney, and current Prime Minister Chretien.)

- (2) Quebec as a Major Region

Canada is typically classified several different ways:

- (i) As 10 Provinces plus 3 Territories: Of which Quebec is the largest Province by area (it is 1,542,056 sq km, *vs* Ontario’s 1,076,395 sq km), and second by population (it has a 2001

population of 7,410,504 vs Ontario's of 11,874,436). And, as of 1999, it had 21.1% of Canada's GDP vs Ontario's 41.6% and Alberta's and BC's 12.2% each.

(ii) As six Regions: (a) Atlantic, (b) Quebec, (c) Ontario, (d) Prairies, (d) British Columbia, (e) the North.

(iii) As "two founding nations or cultures or linguistic groups" - variously: French/British Nations, French/English Cultures, French/English Linguistic Groups, with Quebec characterized as the centre or home of the "French Fact" in Canada.

(iv) As some 68 geographic regions, of which Quebec has 10:

- (1) North Shore/New Quebec,
- (2) Gaspé Peninsula/South Shore
- (3) Saguenay Valley/Lake St. John
- (4) Quebec Metropolitan-Eastern Townships
- (5) Three Rivers-St. Maurice Valley
- (6) Sherbrooke-Eastern Townships
- (7) Montreal Environs
- (8) Montreal Metropolitan region
- (9) Hull-Western Laurentians
- (10) Western Quebec

(3) Quebec and the St. Lawrence Waterway

The St. Lawrence-Great Lakes Waterway is one of the two great waterways of North America. (The other being the Mississippi.) The River is some 1197 km long. The Waterway as a whole penetrates some 3790 km into the continent and has a drainage basin of some 1 million square km.

Accordingly, especially in the pre-railway era, this Waterway was the route for settlement, commerce and transportation generally. Quebec province was central to this as the location where the Waterway met the Gulf of St. Lawrence and thus the Atlantic Ocean.

When sailing ships were the mainstay of trans-Atlantic trade, Quebec City retained an important role in that trade *vis a vis* Montreal; but with the rise of steam-ships, it was Montreal that more and more took the lead. Indeed, until the opening of the Erie Canal in northern New York (which joined the Great Lakes to the Hudson River and thus to New York City), Montreal aspired to be the "entrepot" for North America generally - both the Canadian Mid-West and the US too.

(5) Quebec as a Central Cross-Roads

Quebec and Ontario together are known as "Central Canada". Each looks both eastward to Atlantic Canada, and westward to the Canadian West. And both look southward to trade with the USA. Quebec in particular, has traditionally been the gateway to Atlantic Canada, and in many respects to Europe as well. For Atlantic Canada, the roads and the railroads lead west *to* Quebec and *across* Quebec. And Montreal is a major airport hub. For seafaring vessels that do not stop on the east coast (say, at Halifax), they either stop at Montreal or pass Montreal on the way to the Great Lakes (and inland ports like Toronto in Canada, or Detroit and Chicago in the US).

The case is similar for the media and communications generally, although more as a metaphorical cross-roads than a physical one - as a dominant cultural, intellectual, and economic force.

(6) Quebec's Political Importance

Quebec's influence in both the federal sphere and the provincial sphere has always been considerable.

(a) Federally: Though theoretically possible to form a federal government without significant Quebec representation, in practice Quebec has always been a necessary part of the equation.

(b) Provincially: Quebec has traditionally had two key roles: (i) as one of the biggest, most important provinces economically; and (ii) as the "home" of the French language and culture in Canada.

(c) Federal-Provincial: Quebec has always also been a critical player in the ongoing series of federal-provincial negotiations of various kinds that have become a permanent feature of the Canadian scene.

(d) The Quebec-Ontario Dynamic: As the two components of "Central Canada", Quebec and Ontario have always had to have close regard to each other. They share a common border, common trade, common history, and to a significant degree are likely to have much in common in the future. (In many ways, just as Canada has with the United States, its neighbour to the south.)

Division B: Montreal as Once "The" Metropolitan Centre of Canada

(7) Universities, Hospitals

Before WWII, Canada's world-known institutions included McGill University and the Royal Victoria Hospital. People came from all over Canada, and beyond Canada, to both. McGill, indeed, also taught Medicine - so there was an obvious overlap and synergy with the hospital.

Two examples of the importance of both, in the medical field.

First, from Atlantic Canada - The Royal Victoria Hospital tended to be the hospital of choice for patients with serious illnesses from Nova Scotia. Moreover, nursing students from the East came there, and medical students came from the East to McGill.

Second, from the Prairies - Medical students in Saskatchewan pre-WWII, were not able to finish all their medical training in Saskatchewan. Most went to McGill to do this.

In other words, for medicine, Montreal was the "metropolitan centre" for significant constituencies in both the East and the West. And, this fact having been established, habit continued much of Montreal's predominance for a number of years after many of the original reasons had been overtaken.

(8) Finance

From the time of Confederation in 1867 (and indeed, some years before), Montreal was by far Canada's leading financial centre. The concentration of commerce here encouraged the

development and concentration of financial services here too; and similarly, the presence of financial services encouraged commerce. The Bank of Montreal and the Royal Bank of Canada were head-officed in Montreal. So was Royal Trust Company, as was Sun Life Assurance - to name a few. Many leading investment dealers were here, and the Montreal Stock Exchange was the place to be - with the Toronto Stock Exchange gaining bit by bit over time, and finally becoming the clear leader only in relatively recent years.

(9) Transport

Montreal, again, since before Confederation, was Canada's transportation centre. Here was the head office of Canadian Pacific Railway (CPR) and Canadian National Railways (CNR). Here was the head office of TransCanada Airlines - later Air Canada (initially a subsidiary of CNR). Here were based much of Canada's oceanic shipping offices, with Montreal the leading port in Canada (and one of Canada's two major Atlantic ports - the other being Halifax). And, the railways, and the air, and the sea-faring trades linked with trucking too. Accordingly, Montreal had a concentration of shippers, forwarders, agents, customs-brokers and middlemen of all kinds as well.

(10) Head Offices Generally

In brief, Montreal for many years was home to national head offices of all kinds. Financial and transportation were added to by resource-based companies (like: pulp and paper, aluminum), energy companies, manufacturing companies, and commercial companies generally.

(11) Magnet For Young Business People From All Over Canada

Dr Johnson once said about London: "If you're tired of London, you're tired of living." In some ways Montreal - especially in, say, the 1950s - resembled that London. It was not only the commercial and population centre, it was by and large the cultural centre too. A centre: where young people starting off in business often needed to be; where others would inevitably be transferred from time to time; and where much of the "action" was - so that people wanted to stay.

Division C: Quebec and Nationalism

(12) French Language and Culture

Quebec has sometimes been called a "distinct society", and its people have often been referred to as a "nation". Both of these descriptions have largely been based in the common linguistic and cultural and religious history of Quebec's francophone majority, and buttressed by being not only a minority in Canada as a whole, but a much smaller minority when seen in the context of English-speakers of the USA. Moreover, Quebec has, since the British regime, had a civil law system in contrast to the rest of Canada's common law approach. So, "nationalism" in Quebec has tended - at least for francophones - to mean, to revolve around, the Quebec "nation". Hence, the Quebec Legislature, for example, is called the "National Assembly"; and in official Quebec parlance, Ottawa is referred to as "Canada's Capital" and not the "National Capital".

(13) Tradition of Nationalism and Federalism Together

Accordingly, it has been the predominant approach in Quebec for a very long time to be “nationalistic” in respect of Quebec itself, and also “federalist” in respect of Canada. And in doing so, to attempt a “balance” where Quebec - not surprisingly - derives the maximum benefit from each. (This “balance” is, of course, not unique to Quebec. It is a well-established provincial approach generally.)

Division D: The Quiet Revolution, Change, and the Rise of Separatism

(14) Forces of Change, Especially Post-WW II

Quebec, along with the rest of Canada, changed fairly rapidly in the middle years of the 20th century, and especially so after WWII. Improvements in transportation and communications, and movements from agriculture to manufacturing were among the root causes. The Great Depression, that lasted throughout the 1930s and caused widespread hardship across Canada, masked or delayed some of the implications of these deep undercurrents, as did the Second World War, but by the late 1940s through the 1950s and 60s these economic developments were clearly being felt and were leading to social and political change too.

(15) “Maitres Chez Nous”

While economic and socio-political change were features in all parts of Canada, they were perhaps most deeply felt in Quebec. In part there was a feeling that Quebec had too long been dominated by business interests that had mostly been English-speaking: initially British (when Canada was part of the British Empire centred in London, upon which “the sun never set”), later American, and throughout featuring pan-Canadian operations operated mostly by English-speaking Canadians.

It was felt by many Quebec francophones (then, more commonly called “French Canadians”) that they were not “maitres chez nous” (“masters in their own houses”); that they should be: and that - being a majority in the province, and having thus the ability to elect the provincial government - government would be a tool they could use to that end.

(16) Supplanting of the Church with the State

Another strong feature of the traditional Quebec landscape since the days of the French colonial regime had been the pervasive role of the Roman Catholic Church. The Church controlled not only the religious life of its Catholic parishioners, but also the education, much of the social services (for example, orphanages), birth and marriage and death’s associated procedures and records, and much of the medical system.

A large part of the so-called “Quiet Revolution” in the early 1960s was in replacing much of what the Church had traditionally done with what the state would now do instead. Where the Church had formerly been a vehicle for advancing the cause of the “nation”, now it would be the State. And it would be originally Church-based organizations, such as the St. John Baptiste Society, trade unions and caisses populaires that would help as well.

(17) Rural/Urban Shift

The 1950s saw the end in Canada generally and in Quebec in particular, of the rural/urban shift - the end of the time when Canada was primarily (or even predominantly) an “agriculture-based”, or even a “resource-based” economy. What this meant in Quebec especially, was that the urban mix changed too. Montreal, the centre of English-speaking commerce for Canada and for Quebec, now had a greater proportion of French-speakers, French-speakers who were interested in, and wanted to participate more and more in commerce.

(18) Demographics

One difference between the “English Canadians” and the “French Canadians” of Quebec that existed for a period of time was in family size. In short, the English family sizes got relatively smaller than those of the French, sooner. One phrase used to describe this well known fact was the “revenge of the cradle” - that is, the theme that the French Canadians could and would reverse the effects of the British Conquest (in 1759/60) by out-populating the English Canadians.

What this meant for Quebec in the late 1950s through the 1970s was that the effect of the Post-War “baby boom” was greater among Quebec’s francophones than elsewhere. In other words there was - in relative and absolute terms - a larger group of young francophones on the scene than ever before, and universal features of young people tend to be restlessness/volatility and a need for jobs.

(19) Entry into Business

Another feature of the Quiet Revolution was a larger and larger group of young francophone university graduates - in engineering, in business, and in the professions - who wanted to *work in business* in Quebec, and who wanted to *run businesses* in Quebec, and who wanted to do so *speaking French as the language of work*.

(20) Hydro Quebec

One key vehicle to advance the agendas of the “nationalists”, and to provide opportunities to the university graduates (business and engineering), and to use government to re-invent the economy too, was Hydro Quebec, the Quebec Crown Corporation that owned and operated most of the hydro-power generation and distribution in the province*; and would as well be initiating some of the largest power development projects in the world, notably at James Bay (in Quebec’s north).

Presently (that is, as of 2000) Hydro Quebec has assets in the order of some \$56 billion.

* Founded in 1944, Hydro Quebec did not become a major force in power generation until the Quebec government nationalized most major private power generation facilities in the early 1960s.

(21) Caisse de Depot et Placement

The Caisse de Depot et Placement du Quebec is a Quebec Crown Corporation, established in 1965 and located in Montreal, with the mandate of investing the funds of Quebec public and

insurance plans, and in doing so - not only: (i) to achieve a good rate of return on those funds, but also: (ii) to support Quebec's economic development. Of course, in "good times", since "a rising tide raises all boats", achieving a good return and advancing Quebec's economic development can be accomplished together. However, in "bad times" or even "mixed times", then these two goals can - and it has been argued do - conflict.

Assets as of 2000 were in the order of \$100 billion.

(22) "Quebec Inc."

"Quebec Inc." is not a corporation or even a formal organization as such. It is, rather, a descriptive term that has come into usage in the last few years to describe a *notion*, a *grouping*, a *process*, and an *attitude* of, and among, Quebec-based and/or primarily francophone companies and business-people that couples: (a) the entrepreneurial spirit and business focus of the post-Quiet Revolution era, with (b) an inward-looking, informal alliance (or network of relationships) of like-minded people to build Quebec's base, and provide mutual support, with (c) formal structures like Hydro Quebec and the Caisse de Depot (and other government frameworks and encouragements) and with (d) an outward, expansive "trade-with-the-world" attitude and orientation.

Some might argue that much of this could be construed as a form of "gloss" or "control" on, or perhaps an "undercurrent" to, a supposed free market economy. Others might reply that it simply reflects (and refines, and improves, and makes more explicit) the sorts of formal and informal networks that have always existed, and will more and more become valuable features of the New Knowledge Economy.

Part Two: The Creation, Election and Effects of the Parti Quebecois

Overall Qualifications

Qualification I: There are a number of other significant trends going on, and variables varying, at same time as the advent of the Parti Quebecois, all of which, one way or another, affect Quebec and Canada.

Among these are:

- (i) The general westward shift of business and population in North America.
- (ii) The US magnet - the attraction and impact of the world's largest, richest economy.
- (iii) Canadian Free Trade with the US (and Mexico).
- (iv) The rise of English as world-wide language of commerce, and as a "lingua franca".
- (v) Technological and Market changes, and the "Global Village".
- (vi) After the "baby boom" peak, the decline of the overall Canadian (and Quebec) birth rate.
- (vii) The general aging of the population (in Canada, and in the so-called "developed" world).

Qualification II: There is also a substantial disagreement among authorities over economic data and implications to be drawn respecting Quebec's position *vis a vis* Canada as a whole - as it exists now, and as it might exist in some new arrangement: (a) *from* some sort of looser federation as per "sovereignty association", (b) *through* some version of the European Union, (c) *to* full separation (with Quebec as a country fully independent from Canada).

The federalist side argues: (a) that Quebec gets positive economic benefits from Confederation, and moreover that separation would have bad economic consequences - especially for Quebec.

The PQ argues the opposite.

Division E: The Creation of the PQ and its Election

(23) The Foundation

The Parti Quebecois ("PQ"), variously called a "nationalist" or a "separatist" party, was founded in 1968 through the merger of previous nationalist / independentist groups, and quickly became the focal point for these interests.

The PQ lost the provincial elections of 1970 (with 23.5% of the popular vote) and 1973 (with 30.8%), but won the election of 1976 (41% of the vote, but a majority of the seats in the legislature - 71).

The key piece of the PQ 1976 election platform were that the provincial election was a *separate* vote from that involving the issue of Quebec's status in the Canadian federation - which would be dealt with by a special referendum, on "sovereignty-association". So, the 1976 provincial election *vote* could, in a sense, be seen and, indeed, was characterized as a "vote for a new government", and not necessarily a commitment to separatism.

(24) The PQ as the Government of Quebec (1976 - 1984, 1994 -2001)

The election of the PQ (first in 1976, and subsequently) made the prospect of separation (in some form) a real prospect, and was viewed by federalists inside Quebec and outside Quebec as a significant threat in and of itself, and also a threat to stability generally.

The PQ adopted what the English-speaking residents of Quebec regarded as a restrictive "language law" (see below) respecting education and the language of work.

For some, the election of the PQ substantially added to (or confirmed - for others) an atmosphere or feeling (that had been building to some degree for years with the "maitres chez nous" rhetoric and later the FLQ crisis*) among English-speakers that they were not welcome. This, and the other results of the PQ itself, and the PQ as "*watershed*", is sometimes referred to below as "the PQ's effect".

* With the kidnapping of a British diplomat, the murder of a Quebec cabinet minister, the overall threat of violence, and the federal government's use of the War Measures Act (and use of the army and police under it) to calm the situation.

(25) The Language Law - "Bill 101"

The PQ's Bill 101 has been described as follows:

“Bill 101, *Charte de la langue française* [charter of the french language] (1977), marked the culmination of a debate that had produced Bill 63 (1969) and Bill 22 (1974). It made French the official language of the state [of Quebec] and of the courts in the province of Quebec, as well as making it the normal and habitual language of the work-place, of instruction, of communications, of commerce and of business. Education in French became compulsory for immigrants, even those from other Canadian provinces ...” (The Canadian Encyclopedia)/

(26) The Referenda of 1980 and 1995

The PQ had promised that the issue of Quebec's status - separation / “sovereignty association” - would be the subject of a provincial referendum separate from its election as Quebec's government.

Two such referenda were held, the first in 1980; the second in 1995. In 1980 the issue was described as giving the PQ government a mandate to negotiate sovereignty association. In 1995 it was whether voters agreed “that Quebec should become sovereign after having made a formal offer to Canada for a new economic and political partnership”.

The PQ lost the 1980 referendum by a wide margin. It lost the 1995 one by a narrow margin.

Division F: The PQ's Effect on Montreal

(27) Decline of English-Speakers

The bulk of the English-speaking population of Quebec was centred in Montreal. This group was composed of some three sub-groups: (i) English-speakers of Quebec domicile of several (sometimes many) generations, (ii) English-speakers working for national or international companies who were transferred to Montreal or worked in Montreal Head Office (i and ii called “anglophones”), and (iii) immigrants whose mother tongue was neither English nor French - but who tended to gravitate to the English-speaking community (called “allophones”).

In both relative and absolute terms the advent of the PQ accelerated a decline in the English-speaking population in Montreal; and, increased a trend that was already in motion, where Montreal was no longer a magnet for anglophones from all over Canada.

(28) Erosion as National Financial Centre:

Whether their head office was in Montreal (like the Bank of Montreal or the Royal Bank of Canada) or elsewhere, the large Canadian banks tended to have very substantial establishments in Montreal for corporate/nation-wide/international purposes, and also as “regional centres” for management of Quebec-based business that often extended as well into Ontario (for example - Ottawa business was often administered out of Montreal). Similarly, large trust companies (like Royal Trust) and insurance companies (like Sun Life Assurance) were based in Montreal.

Relatively immediate *visible effects* of the PQ's election were: (a) the statement by the head of Sun Life to the effect of that the Company had decided to shift its centre to Toronto (which it

then proceeded to do), and (b) the “convoy” of Brinks armoured cars transporting securities from Montreal financial institutions down the highway from Montreal to Toronto (indeed, there were extensive comments at the time and cartoons in the media about the alarmism associated with “L’affaire Brinks”). How much of the Brinks matter was substance and how much was “publicity” was never made clear; but, as stated, Sun Life did move much of its operations to Toronto.

Less visible effects included: (i) individuals shifting their bank accounts (and other assets) from Montreal, and (ii) companies shifting some of their operations (or starting new operations) elsewhere - so that the associated financing activities left too.

(29) Decline as National Business Centre

While the PQ’s advent *did not cause* “all” of Montreal’s decline as a national business centre - in both relative and absolute terms*, the generally accepted view is that it did act as a “watershed” *to cause and to exacerbate and to accelerate a great deal of it*. And, though Toronto’s rise in the 1950s and 60s had meant that Montreal was no longer “the” national centre, up to the PQ’s 1976 election (and its aftermath) there was a real possibility (if not probability) that this role might be “balanced” or “shared with” Toronto. In other words, that Montreal and Toronto would be equals of sorts (in a sense, like New York and Los Angeles in the US). After 1976, that was clearly not to be the case.

In other words, while some degree of decline for Montreal was probably inevitable, the PQ - what it represented; the policies it promoted; and the uncertainties it fostered - made it worse. Just how much worse is debatable. But the decline was certainly both significant and accelerated.

Montreal is now (with some prominent exceptions) becoming viewed more and more as the Quebec “regional” business centre (albeit a great one, and “the” francophone one) rather than a “national” business centre.

* (A number of the variables mentioned earlier contributed to this too, including the general westward shift of business and population in North America generally.)

(30) Shifting of Assets out of the Jurisdiction

(A) Location of Assets: In a nutshell, the law of the jurisdiction where property is located tends to be the law that governs it. So, for example, if property is located in Quebec - if Quebec is its “*situs*” - then it’s Quebec law that should govern, as long as the subject matter of the law is within the constitutional competence of the Quebec Legislature (the “National Assembly”).

Accordingly, as of 1976, if you were an individual with assets in Quebec, and you were afraid that the Quebec government might do something to impair those assets - for example, limit your ability to dispose of them, or even expropriate them, or simply foster an environment where they’re not sufficiently productive - then you would at least consider moving them out of the province.

(B) Incorporation of Companies: Another aspect of *situs* is jurisdiction over companies. Basically, the jurisdiction that incorporates a company governs it and can wind it up. This is the conclusion of what are known as the Russian and Spanish Bank Cases, decided by the British

courts after the Russian Revolution and the Spanish Civil War respectively. The Royal Trust Company in 1976 was among the biggest, if not the biggest, Canadian trust company, with business all over Canada and abroad, with head office in Montreal, and *incorporated by the province of Quebec*. Shortly after the PQ's election (and likely with an understanding of the Russian and Spanish Bank Cases), Royal Trust Company proceeded to have another company federally incorporated (that is, by the government of Canada) - "Royal Trust Corporation of Canada" - to conduct business outside Quebec and hold property outside Quebec. Moreover, an Act of the Ontario Legislature (and presumably similar Acts in the other provinces) was passed (at the behest of Royal Trust) substituting the "Corporation" for the "Company" in wills and trusts in Ontario.

(C) Taxes: Another aspect of *situs* is liability for taxes, for example, succession (death) duties. When the federal government introduced capital gains tax into the national income tax framework in the early 1970s, the understanding was that the provinces would withdraw from the succession duty field because it would in effect give rise to double taxation of the same assets. Quebec, however, retained succession duties longer than the other provinces, and accordingly, there was an incentive on Quebec residents who could to move their assets, themselves, and their beneficiaries out of the province so as to avoid this tax.

Division G: The PQ's Effect on Quebec

(31) "Social Democratic" Agenda

While the "nationalist" agenda of Quebec's other main political party - the provincial Liberal Party - also envisioned a state activist role in creating a modern Quebec economy and opportunities for francophones in it, the PQ's agenda was (and remains) significantly more in the "social democratic", state interventionist, "dirigiste" mode. Accordingly, the PQ fostered a climate in Quebec - and, importantly, *was seen to foster* a climate - where the role of the state became more prominent as an economic and social engineer, and in particular: where union-rights were encouraged *vis a vis* both management-rights and market-mechanisms; where the "civil servants-per-capita" ratio was reputed to be the highest among the Canadian provinces; where there were relatively high taxes; and where the overall economic regulatory framework seemed to be at the "more intrusive", "more regulated" end of the scale.

(32) Investment Climate

Federally, when the country retreated from the "economic nationalism" that characterized much of its stance in the 1960s and 70s and instead embraced "free trade" with the US (and then Mexico), and de-regulation ("re-regulation") and "markets", one of the pronouncements of the federal government was that Canada was "open for business". By way of contrast, whatever may have been the official pronouncements of the PQ government in Quebec, the impression elsewhere in Canada (the "music" as it were), was less welcoming.

A major part of this "less welcoming" investment climate in Quebec has been the uncertainty associated with the potential change that the PQ is committed to - whether separation or "sovereignty association" (or one of their half-way houses or surrogates).

Other parts:

Part of the issue has been the inward-looking nature of Quebec's nationalism under the PQ, and the "us-and-them" mentality it has represented

Part has been the impression of "insiderism" given by notions like "Quebec Inc."

Part has been the "controlled-economy", "state interventionist" image and actions of the PQ.

Division H: The PQ's Effect on Canada Outside Quebec

(33) Federal Government

The PQ's effect on Canada's federal government has several aspects.

First, the federal government is *also* the government of the population of Quebec. It is also "mandated" by them. It also "represents" them. Accordingly, on the separation issue - as a matter of law - it passed (in 2000) legislation (the Clarity Act) to ensure that any question put to Quebecers (by the PQ) in a future referendum is a clear one.

Second, the federal government - as a matter of winning the economic argument for federalism - continuously vies with PQ to demonstrate tangible benefits to Quebec from being in Canada.

Third, the federal government ensures that its overall Canadian "regional development" programs are designed and implemented with the need to see that Quebec receives its fair share, and that Quebec is seen to receive its fair share too.

Fourth, the federal government - through the process of continuous constitutional fine-tuning and accommodation that has become known as "cooperative federalism" - attempts, on an item-by-item basis, to reach political agreements with all provincial governments, including Quebec's.

Fifth, the PQ's advent has inspired a separatist/sovereignist federal Quebec-based political party - "the Bloc Quebecois" ("BQ") - to advance this agenda in the national Parliament.

(34) Ontario

As Quebec's western neighbour and Canada's main economic centre, the PQ's effect for Ontario have been at least two-fold: (i) much of the shift of English-speakers (and their assets) and of "national" business generally out of Quebec has gone to Ontario; and (ii) because Quebec is Ontario's "partner" (in Canada overall and in interprovincial trade) Ontario in many respects *depends* on Quebec.

The first point has been an easy one to see. The second is less obvious (in part because the first has to some extent "masked" it), but is just as real. A prosperous Quebec should be good for Ontario. And vice versa: a less-than-prosperous Quebec will hurt Ontario. Although Ontario has done well in recent years, and has benefitted from the above referred-to "shifts", there is a real possibility it could have done better without "the PQ's effect".

(35) The “Rest of Canada”

In a nutshell, the *greater degree of decline of Montreal* than would have otherwise been the case, more than any other single part of “the PQ effect”, has arguably led to some greater growth in other leading cities of Canada, including: Halifax, Ottawa, Toronto, Calgary, and Vancouver. Growth and people who would have gone *from* those places (or other places) *to* Montreal, have stayed in (or gone to) these other cities instead.

On the other hand, the PQ effect has impaired the rest of Canada (as well as Quebec) generally through: (a) uncertainty, and (b) distracted efforts.

As for “uncertainty”: Business and investment dislikes it. And they can, and do, go elsewhere.

As for “distracted efforts”: Both public and private sectors have limited time and scarce resources. The prolonged and continuous preoccupation with the separatist / sovereignist threat has, simply put, meant that - while this clear and pressing priority was dealt with - other important economic things were either not done, or not done well.

Division I: The PQ’s Effect on Canada *vis a vis* the World

(36) Uncertainty & Distraction

Uncertainty, especially the uncertainty associated with the referenda held so far and to come (“threatened” or “promised” depending on your point of view as a “federalist” or a PQist), has been, and in the future will be, bad for business in Canada as a whole. Period.

From an investor’s point of view: whether or not you believe the PQ’s argument that *both* Quebec *and* Canada would be better off in a new arrangement*, any transition of this kind, however well done (and the likelihood of a “good”, “well done” transition is probably not high), must be: really, really difficult, profoundly dislocating, time-consuming, detailed, unpleasant, and terribly expensive too.

(* A risky bet, especially when the current arrangement works and works well; when any upside is viewed as small and questionable; and the downside is regarded as big and clear.)

As for “distraction” - It’s a competitive world. Canada needs its economy to be efficient in absolute and relative terms, especially as we enter the so-called New Knowledge Economy*. And especially as: (i) Canada has always depended on significant investment from abroad; and (ii) competition from the US (and the rest of the world) is likely to get tougher. The better view is that we as a country need to spend more of our efforts in adapting, improving, competing.

(* Where some of our traditional advantages in such things as natural resources will be relatively less important than before; and other of our relative advantages, such as those underpinned by having an educated population, can be expected to be eroded)

THE CANADIAN AGREEMENT ON INTERNAL TRADE: EVOLUTION AND SUMMARY

The Agreement on Internal Trade (AIT) is an intergovernmental agreement designed to remove existing barriers to interprovincial trade, to prevent the introduction of new barriers, and to harmonize standards across provinces. The AIT came into effect in July, 1995.

The signing of the AIT by the Prime Minister as well as the first ministers of all provinces and territories in July, 1994 represented a milestone in intergovernmental agreement. The issue had been on the federal-provincial agenda for at least twenty-five years, without agreement. The Constitutional round in the early 1980s provided an opportunity to circumvent intergovernmental agreement by enshrining free trade and mobility in the Constitution. This, too, failed. The subsequent signing of the AIT therefore marked a major achievement in intergovernmentalism.

Evolution

Section 121 of the Constitution Act, 1867, often referred to as the “common market clause”, provided for free movement of manufactured goods across provincial borders. Notwithstanding s. 121, a wide range of barriers to mobility had been created under provincial legislation. Thus, for example, agricultural products, freight, liquor were all subject to protection.

The federal government itself released a set of proposals for constitutional reform in October 1991 which contained a wide-ranging set of potential reforms.¹⁵ Among these, it was proposed that the common market clause be broadened. Second, it was proposed that the federal government be given a specific mandate to manage the economic union. This proposal would require an extension of the existing section 91. Third, it was proposed that existing areas of provincial jurisdiction be respected and, in some cases, extended. In particular, any future use of the spending power would be restricted.

With regard to the common market clause, the existing prohibition on barriers to the free trade of goods among provinces would be broadened to include the free movement of services, capital, and labour. Exceptions would be allowed for reasons of national interest, for regional

¹⁵ See Canada, *Shaping Canada's Future Together: Proposals* (Ottawa: Supply and Services, 1991).

development, and, notably, for any federal legislation enacted to further the principle of equalization. Specifically, proposal 14 to extend the existing section 121 stated:¹⁶

- (1) Canada is an economic union within which persons, goods, services and capital may move freely without barriers or restrictions based on provincial or territorial boundaries.
- (2) Neither the Parliament or Government of Canada nor the legislatures or governments of the provinces shall by law or practice contravene the principle expressed in subsection (1).
- (3) Subsection (2) does not render invalid
 - (a) a law of the Parliament of Canada enacted to further the principles of equalization or regional development;
 - (b) a law of provincial legislatures enacted in relation to the reduction of economic disparities between regions wholly within a province that does not create barriers or restrictions that are more onerous in relation to persons, goods, services or capital from outside the province than it does in relation to persons, goods, services or capital from a region within the province; or
 - (c) a law of the Parliament of Canada or the legislature of a province that has been declared by Parliament to be in the national interest.
- (4) A declaration referred to in paragraph (3)(c) shall have no effect unless it is approved by the governments of at least two-thirds of the provinces that have, in aggregate, according to the then latest general census, at least 50 percent of the population of all the provinces.

With regard to the management of the economic union, this area was recognized to be necessarily of joint responsibility, requiring provincial concurrence and some provision for opting out. Legislation affecting the economic union would be voted on in a proposed Council of the Federation. Specifically, proposal 15 was to add new section 91A to the Constitution Act, 1867, which would read as follows: ¹⁷

- (1) Without altering any other authority of the Parliament of Canada to make laws, the Parliament of Canada may exclusively make laws in relation to any matter that it declares to be for the efficient functioning of the economic union.

¹⁶ Ibid., at 43.

¹⁷ Ibid., at 43-44.

(2) An Act of the Parliament of Canada made under this section shall have no effect unless it is approved by the governments of at least two-thirds of the provinces that have, in the aggregate, according to the then latest general census, at least 50 percent of the population of all the provinces.

(3) The legislative assembly of any province that is not among the provinces that have approved an Act of the Parliament of Canada under subsection (2) may expressly declare by resolution supported by 60 percent of its members that the Act of Parliament does not apply in that province.

(4) A declaration made under subsection (3) shall cease to have effect three years after it is made or on such earlier date as may be specified in the declaration.

One interpretation of the proposals is that as long as the federal government could ensure the integrity of the economic union through section 91A and the amendment to section 121, it would be willing to transfer explicit jurisdiction to the provinces in other areas. Within this framework, it was argued that labour market training could be recognized explicitly as an area of exclusive provincial jurisdiction, and that federal spending could be withdrawn from that and other areas that are most appropriately viewed as being areas of provincial jurisdiction, such as tourism, forestry, mining, recreation, housing, and municipal affairs. Of course, the withdrawal of federal spending would not preclude the establishment of future federal-provincial cost-sharing agreements and other legislation in areas that are aimed at enhancing the functioning of the economic union.

The aim of proposal 14 was so-called *negative integration*—the elimination of barriers that interfere with the efficient functioning of the economic union—and the aim of proposal 15 was so-called *positive integration*—the active pursuit of policies that enhance the efficient functioning of the economic union. These are also key objectives of the Agreement on Internal Trade, which we discuss further below. The exception to these objectives that would be made for federal laws that further the principles of equalization and regional development deserves comment.

First, it can be argued that a fully effective equalization system is an instrument of positive integration. By enabling provinces to provide comparable levels of public services at comparable tax rates, it enhances the efficient functioning of the economic union. In this light,

no exception should be needed for ‘equalization’ in the economic union proposals.¹⁸ Furthermore, since the power to make equalization payments appears to fall well within the federal government’s existing constitutional authority, it would not be affected by the provisions of the proposed section 91A.

Second, the exceptions for federal laws enacted to further the principles of equalization and regional development and for provincial laws aimed at the reduction of intraprovincial regional disparities mesh the proposed section 121 with existing section 36 of the Constitution Act, 1982. Section 36 establishes the promotion of equality of opportunity, the furthering of economic development to reduce disparities in opportunities, and the provision of essential public services of reasonable quality to all Canadians as commitments of both levels of government. It might be argued that this meshing of the efficiency-oriented economic union clause with the equity-oriented equality of opportunity clause would provide some guidance to the courts in the event of a challenge under proposed section 121 to some aspect of federal or provincial social policies. The implication of the exceptions for equalization and regional development is that equity considerations take precedence over efficiency considerations in the application of common market principles.¹⁹

Finally, the spending power has been an important instrument both in the implementation of federal redistributive policies and in the enforcement of national standards.²⁰ In this light, the role of the federal spending power as an instrument that furthers the pursuit of the principle of equality of opportunity and as an instrument of fiscal equalization is crucial. A diminished role for the spending power would therefore work against equity goals. Moreover, to the extent that the spending power may also promote the attainment of efficiency goals, it becomes difficult to reconcile any weakening of the spending power not only with existing federal constitutional obligations but also with the more explicitly efficiency-oriented constitutional proposals.

¹⁸ Some have argued, however, that equalization payments might impede the out-migration of inefficiently allocated labour from recipient provinces. In this light, an exception for equalization may be thought necessary in section 121 to prevent a potential challenge that equalization impedes the efficient functioning of the economic union.

¹⁹ It is interesting to note that the so-called Canada clause included in the federal *Proposals*, supra footnote 21, at 10, includes the following provision that joins equity and efficiency in a single objective: ‘the free flow of people, goods, services and capital throughout the Canadian economic union and the principle of equality of opportunity throughout Canada.’

²⁰ As discussed in later sections, the sorts of national standards set by the federal government in areas like health care and welfare have been fairly general. The provinces have had considerable leeway in program design, provided that their programs abided by a fairly general set of criteria.

The political taste for constitutional reform as a means of reallocating responsibilities in the federation has waned with the failure of the referendum on the Charlottetown Accord. Nonetheless, the desire to revise, and perhaps further codify, the means by which the exercise of federal and provincial fiscal responsibilities interact remains. This is partly due to the fact that in the decentralized federation that the Canadian nation has become, some of the provinces are concerned with the ability of the federal government to impinge unilaterally and sometimes without warning on what they regard as their exclusive areas of jurisdiction. The latter part of the 1990s saw a number of initiatives that signaled an era of federal-provincial negotiated agreements as an adjunct to federal-provincial fiscal arrangements. What follows is a brief discussion of the Agreement on Internal Trade (AIT).

The Agreement on Internal Trade

The goal of the Agreement on Internal Trade (AIT) is to eliminate barriers to trade, investment and mobility within Canada. It came into force on July 1, 1995. The stated objective of the Agreement is to “reduce and eliminate, to the extent possible, barriers to the free movement of persons, goods, services, and investments within Canada and to establish an open, efficient and stable domestic market.” The Agreement incorporates six general rules. They are:

- Non-discrimination: establish equal treatment for all Canadian persons, goods, services and investments.
- Right of entry and exit: prohibiting measures that restrict the movement of persons, goods, services or investments across provincial or territorial boundaries.
- No obstacles: ensuring provincial/territorial government policies and practices do not create obstacles to trade.
- Legitimate objectives: ensuring provincial/territorial non-trade objectives which may cause some deviation from the above guidelines have a minimal adverse impact on interprovincial trade.
- Reconciliation: providing the basis for eliminating trade barriers caused by differences in standards and regulations across Canada.
- Transparency: ensuring information is fully accessible to interested businesses, individuals and governments.

There is provision, however, for exclusions. Under article 508 of the Agreement, a party may under exceptional circumstances exclude a procurement for regional and economic

development purposes. Furthermore, article 1801 states that: “the Parties recognize that measures adopted or maintained by the Federal Government or any other Party that are part of a general framework of regional economic development can play an important role in encouraging long-term job creation, economic growth or industrial competitiveness or in reducing economic disparities.” Consequently, several components of the Agreement do not apply to measures adopted or maintained by the federal government or any other Party that is part of a general framework of regional development.

The Agreement focuses on eleven sectoral chapters covering:

- Procurement
- Investment
- Labour mobility
- Consumer-related measures and standards
- Agriculture and food products
- Alcoholic beverages
- Natural resource processing
- Energy
 - This has yet to be negotiated.
- Communications
- Transportation, and
- Environmental protection.

Support and administration for the AIT is provided by the Internal Trade Secretariat.

THE COMMITMENT TO REGIONAL EQUITY, HUMAN RIGHTS AND FREEDOMS IN CANADA

The Constitution Act, 1982

The Constitution Act, 1982²¹ contained several new provisions with potentially important implications for the policy-making process. Three are particularly relevant. They are:

- The institution of the Charter of Rights and Freedoms;²²
- the spelling out of a joint federal and provincial commitment to the pursuit of equality of opportunity, regional disparities and the provision of basic public services, and of a federal responsibilities in the area of equalization;²³ and,
- the devolution to the provinces of authority and taxing power over non-renewable resources.²⁴

The Charter of Rights and Freedoms

The Charter of Rights and Freedoms guarantees freedom of religion, speech, peaceful assembly, and association (section 2). It enshrines democratic rights (sections 3 to 5), the mobility rights of persons (section 6), legal rights (sections 7 to 14), and equality rights (section 15). It also enshrines Canada's policy of official bilingualism.

Although the Charter applies to the Parliament and government of Canada and to the legislature and government of each province, section 33 provides for the paramountcy of any provincial legislation that may conflict with individuals' rights under section 2 and sections 7 to 15 of the Charter for a period of up to five years. This has become known as the "notwithstanding clause".

Sections 6 and 15 are potentially the most important. These might be construed to constrain provincial programs not to interfere with interprovincial mobility by, say, imposing residency requirements, and to incorporate particular equality provisions in their programs. They might also be used as a basis for conditions imposed by the federal government on the provinces in areas of provincial jurisdiction. Whether the courts will interpret these provisions as applying to economic equality and mobility is not yet clear.

²¹ Constitution Act, 1982, being schedule B of the Canada Act 1982 (UK), 1982, c. 11.

²² Part I of the Constitution Act, 1982, sections 1-34.

²³ Part III of the Constitution Act, 1982, section 36.

²⁴ Section 92A of the Constitution Act, 1867, added by the Constitution Act, 1982, section 50.

The concern, however, is that these provisions might confer on the courts a paramount role in policy-making rather than duly elected governments.

Regional Equality

Section 36 of the Constitution Act, 1982, which is entitled “Equalization and Regional Disparities,” commits Parliament and the legislatures, together with the government of Canada and the provincial governments, to

- promoting equal opportunities for the well-being of Canadians;
- furthering economic development to reduce disparity in opportunities; and
- providing essential public services of reasonable quality to all Canadians.

Furthermore, the government of Canada is committed to the principle of making equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation. That is, the principle of revenue equalization is enshrined as a supportive role of the federal government in the joint federal-provincial pursuit of the above goals.

These provisions seem to have two sorts of effects on federal responsibilities and obligations. First, the pursuit of equity as a national objective that is the joint responsibility of the federal government and the provinces is recognized. This is important since much of what both the federal and provincial levels of governments do has a significant equity dimension. Thus, to the extent that the federal government has an interest in the equitable delivery of provincial programs, these provisions might be used to justify federal involvement in provincial programs through the spending power.

Further, while the federal government is committed to the principle of making equalization payments, the section does not restrict what is meant by an equalization payment. If taken literally, this section could have serious implications not only for the structure of the formal equalization scheme itself, but for other major federal-provincial transfers as well, many of which themselves have equalizing consequences. It is not clear to what extent this section is legally binding, or justiciable, on the federal government. It has yet to be tried in the courts. It is

the opinion of some scholars that in its current form this section would not be justiciable since it is political in nature and is stated as a general principle rather than as a specific obligation.²⁵ Indeed, it is precisely because of concerns in this regard that several provinces have argued for the need to strengthen the language as part of future constitutional amendments.

Finally, the pursuit of regional economic and social equality provides a justification for direct federal regional development spending. Canada's experience with regional development programs has had mixed reviews. Too often, regional development spending has had the appearance of the Federal Government trying to level the playing field between less developed regions and the more prosperous regions of Canada rather than focusing on assisting less developed regions to reach their own economic potential. The regions of Canada are extremely diverse in geography, culture, natural resources, population, and political climate. National programs focused on providing all regions of the country with their "population share" of economic development spending cannot be expected to close economic development gaps. It would seem more reasonable to provide assistance to the economically depressed regions to help them help themselves. ²⁶ Such programs would seem to be more consistent with the goal of reducing economic disparities.²⁷

Jurisdiction Over Non-Renewable Resources

Finally, section 92A of the Constitution Act, 1867 provides for exclusive provincial jurisdiction over non-renewable natural resources and over their taxation "whether or not such production is exported in whole or in part from the province." Provinces are constrained not to discriminate against other provinces. In addition, the federal government retains the concurrent right to legislate (with federal paramountcy) on the pricing and supplies of production exported to other parts of Canada.

This has the effect of clearly assigning property rights to non-renewable natural resources to the provinces. Extending ownership to provincial residents would, then, admit to a narrow-based view of horizontal equity across provinces: Some individuals, solely due to place of

²⁵ See, for example, the discussion in Hogg, *supra* footnote 5.

²⁶ Donald J. Savoie, *Rethinking Canada's Regional Development Policy* (Moncton: Canadian Institute for Research on Regional Development, 1997), p. 46.

residence, benefit from the distribution of non-renewable resource rents and are, accordingly, treated differently by the public sector than like individuals in other provinces. If property rights indeed rest with residents, there is no case, on equity grounds, for equalization.²⁸ This would seem to be contrary to the principle of equality of opportunity.

Conclusion

Prior to 1982, there was no constitutional provision for protection of human rights and freedoms as well as regional equality. Instead, such principles were manifested in specific laws and policies. Constitutional enshrinement of these principles has, potentially, empowered the courts relative to parliament and the legislatures. Legal challenges based on Charter provisions may fundamentally alter the scope and cost of proposed legislation. The “notwithstanding clause” may provide a temporary paramountcy for provincial legislation which overrides the Charter, but only for a maximum period of five years.

The commitment to the principle of regional equality is nothing more than that—the commitment to a principle. The principle might be addressed through a variety of policies and with very different levels of financial commitment. It is in the areas of regional and fiscal disparities that greater definition of rights would better inform the policy formation process. As regional development increasingly became directed at development at the regional level rather than alleviating regional disparities, it favored Ontario and Quebec, and was successful in promoting the economies of those provinces. Thus it has served to worsen regional disparity—triggering ongoing dependence on equalization transfers and moving indicators of economic development further apart rather than promoting regional convergence. In that regard, it becomes imperative to take the politics out of regional policy. As has been suggested by Donald Savoie²⁹, this may require an elected body, such as a reformed Senate, mandated to reflect regional interests.

27 See Paul A. R. Hobson, Donald Savoie and Jill Hiscock, “The Climate for Regional Development in Canada”, mimeo, 2002 for a detailed survey of regional programs in Canada since their inception in the 1960s.

7 The potential for rent-seeking migration will, however, give rise to a case for equalization on efficiency grounds.

29 Op.cit.

Annex 3. Regions Rating (Small Business development anticipated level)

St.Petersburg	10029,85
Nizhegorodskaya oblast	9886,80
Samarskaya oblast	9518,48
Tomskaya oblast	9042,11
Moscow	9025,08
Leningradskaya oblast	8514,18
Moscovskaya oblast	8473,31
Omskaya oblast	8430,73
Permskaya oblast	8357,03
Sverdlovskaya oblast	7895,52
Chelyabinskaya oblast	7733,73
Yaroslavskaya oblast	7493,61
Karelia republic	7491,91
Khakassia republic	7413,57
Novosibirskaya oblast	7362,48
Vologodskaya oblast	7336,94
Tulskaya oblast	7299,47
Khabarovskiy krai	7285,85
Tverskaya oblast	7248,38
Vladimirskaya oblast	7226,24
Volgogradskaya oblast	7187,07
Krasnoyarskiy krai	7181,96
Kemerovskaya oblast	7052,53
Kaluzhskaya oblast	7049,13
Tyumenskaya oblast	7015,07
Kirovskaya oblast	6974,20
Irkutskaya oblast	6955,46
Kurganskaya oblast	6952,06
Saratovskaya oblast	6948,65
Udmurtia republic	6931,62
Chuvashia republic	6873,72
Smolenskaya oblast	6872,02
Orenburgskaya oblast	6868,61
Ryazanskaya oblast	6836,25
Krasnodarskiy krai	6781,76
Rostovskaya oblast	6761,32
Murmanskaya oblast	6727,32
Stavropolskiy krai	6715,34
Bashkortostan republic	6674,47

Penzenskaya oblast	6628,49
Tatarstan republic	6621,68
Pskovskaya oblast	6602,94
Voronezhskaya oblast	6601,24
Bryanskaya oblast	6596,13
Belgorodskaya oblast	6589,32
Tambovskaya oblast	6495,65
Chitinskaya oblast	6447,97
Kurskaya oblast	6417,32
Primorskiy krai	6170,44
Komi republic	6117,12
Astrahanskaya oblast	6018,87
Dagestan republic	5938,77
Mariy-El republic	5665,82
Arhangel'skaya oblast	5607,97
Kamchatskaya oblast	5410,43
Sahalinskaya oblast	5320,17
Gorny Altai republic	5194,14
Kaliningradskaya oblast	5182,22
Kalmykia republic	5074,88
Ivanovskaya oblast	5023,84
Ulyanovskaya oblast	4979,57
Novgorodskaya oblast	4974,46
Karachaevo-Cherkessia republic	4959,08
Altaiskiy krai	4928,48
Kostromskaya oblast	4921,66
Mordovskaya republic	4867,11
Buryatia republic	4792,24
Lipetskaya oblast	4741,15
Orlovskaya oblast	4678,14
Amurskaya oblast	4540,19
Adygeya republic	4438,01
Northern Osetia - Alania republic	4119,55
Yakutia	3831,27
Magadanskaya oblast	2913,41
Tyva republic	2722,62
Kabardino-Balkaria republic	2654,50

Annex 4. Bills (draft laws) package

Memorandum to the package of draft laws

I. The current importance of the legislative measures ensuring the competitiveness of mass media markets (media markets).

Any type of state control over a mass medium (excluding official media established for the publication of normative acts) requires, in technical terms, the creation of a group of officials responsible for the implementation of state decisions and protection of state interests. At the same time, each such group has its own interests and is unable to relinquish them.

Such officials and their affiliates act in the environment of significantly monopolized markets based on the centralization of technical resources, especially those servicing electronic mass media. Any large structure financed at the expense of the budget are interested to become less transparent in terms of their finances. In this situation, persons controlling mass media on the behalf of the state obtain a number of opportunities:

- to participate in implementation of commercial projects pocketing a considerable share of proceeds;

- to convert political influence in money and vice versa at a minimal cost.

The opportunities for public officials listed above either can be compensated for by actions on the part of other officials, what may result in the collapse of the state, or can not, what may result in consolidating the preeminence of private interests over the state ones and force them upon the society. Besides, the persons obtaining such opportunities are interested to preserve them, the mass media under their control included.

Such a situation gives rise to and increases incentives for political forces to seek dominance in the mass media financially supported by the state (ranging from direct financing to the preferential assignment of resources to tax preferences, etc.), or even direct control over them.

At the same time, only the groups of elite who because of their ideological or ethical principles reject the possibility to suppress opposition mass media are maximally vulnerable to the pressure on the part of mass media what results in a “negative selection” and a gradual “decline in quality” of the political system on the whole.

Apparently, similar incentives arise for the officers of natural monopolies.

The approval of this package of draft laws will produce a significant additional effect on the improvement of investment climate in Russia. Since both domestic and foreign potential investors have the impression that the present stage of reform comprises measures aimed at liberalization of the tax legislation and the general economic environment to a certain extent “at the expense” of diminishing guarantees of basic personal rights, the creation of guarantees of the independence of mass media, freedom of speech, and access to information will give investors a signal that the situation is normalizing and political and legal economic risks are on decline (first of all, for long-term direct investment related to a long stay of the investor (his or her representative) in the country) alongside with producing a direct economic effect (transparency of public corporations).

Therefore, the separation of the state and natural monopolies from mass media and their focusing on the execution of their functional duties alongside with more firm guarantees of mass media independence and improved competitiveness of the media market answer long term interests of both the state and the society.

In the past few years, the state has taken absolutely justified steps to consolidate its control over natural monopolies, what in principle is worth praise. However, in the current situation on media markets this consolidation of control gives rise to the incentives described above, which are even more dangerous for the state and the society since this control is indirect,

while the responsibility of public officials for making decisions contrary to interests of the state and society is not clearly defined.

It shall be mentioned that other economies in transition encounter similar problems, what indicates that exactly such countries should strengthen legislative guarantees of free competition on media markets.

Even in Great Britain, a country with strong informal institutions (traditions, business customs), a special role of judicial precedents, and mass media as a rule effectively defending their independence, the reforms of the 1980s required simultaneous liberalization of media markets (first of all, electronic ones), including liberalization of the access of domestic and foreign capital to these markets, what resulted in a significant increase in the diversity and quality of mass media and reflection of a broader range of public opinions.

II. Description of the draft laws

2.1. The draft Federal Law “On the Amendment of the Federal Law ‘On Competition and Restraints on Monopolistic Activities on Commodity Markets.’” The draft proposes to limit the possibility to take and retain control over mass media on the part of economic agents dominating commodity markets equating such activities with an attempt to retain the dominant position on the market by non-economic methods. Accordingly, it is proposed to introduce a definition of such methods and prohibit the use thereof. For instance, it is proposed to formalize the description of PR campaigns aimed at the mobilization of political support of demands to grant individual economic agents and types of activities preferences and privileges, and to introduce a ban on activities defined in this law. Besides, it is proposed to define more clearly the term “unjustified obstruction” by replacing it with the definition “obstruction to activities not prohibited by law.”

2.2. On the draft Federal law “On the Amendment of the FL ‘On Natural Monopolies.’” The draft stipulates (overlaps) the restrictions on natural monopolies contained in the draft amendments to the law “On Competition and Restraints on Monopolistic Activities on Commodity Markets.”

2.3. On the draft Federal law “On Mass Media.”

The draft stipulates that the state as represented by its bodies and officials should be prohibited to control the operations of mass media, with the exception of the closed list of federal mass media, as well as regional press publishing exceptionally official information (normative and executive acts).

The draft stipulates that respective property (including stocks and shares in the authorized capitals owned by mass media founders) should be sold within three months. For the transitional period, it is proposed to introduce restrictions on the power to manage the property of mass media and shares in legal entities – mass media founders - on behalf of the state.

Besides, the draft amendments to Article 7 (“Founder”) envisage that restrictions on foreign citizens not permanently residing in the Russia’s territory should be lifted (what imposes additional costs for potential investors interested in the Russia’s media market).

The draft law stipulates that arbitrary issuance of broadcasting licenses should be excluded and that such licenses should be purchased exceptionally at auctions as in US and Great Britain, which do not encounter the problem that mass media are used as tools of competition struggle or struggle against basic state institutions.

The draft introduces a restriction on the control over federal television and radio channels by defining respective terms according to the criterion of technical possibility of signal reception in regions comprising more than a half of the population of the Russian Federation. It is envisaged that one person (a group of persons, affiliates – for respective definitions see the law on competition) should have no right to own television channels the audience of which exceeds 25 per cent of the total audience of federal television (radio) channels. Violation of this standard should result in the cancellation of the broadcasting license.

- 2.4. On draft Federal law “On the Amendment of the FL ‘On Public Service.’” This law consolidates the restrictions described above and amends the law on public service in correspondence with the amended law on mass media.
- 2.5. On the draft law “On the Amendment of the FL ‘On Principles of Municipal Service in the RF.’”

The proposed draft law extends the restrictions proposed by the package to the municipal level.

2.6. The draft Federal law “On the Amendment of Article 178 of the Penal Code of the Russian Federation” should complete the package by introducing measures necessary to punish the violations listed in the five draft laws. It is proposed to introduce only a minor alteration in the Article by adding to the list of punishable deeds the following text: “as well as actions aimed at retaining the dominant position on the market by non-economic methods.”

On the Amendment of the Federal Law (FL) “On Competition and Restraints on Monopolistic Activities on Commodity Markets”

Article 1. The following definition “actions aimed at retaining the dominant position on the market by non-economic methods: purchase of stocks (shares) or other actions aimed at the establishment of control over mass media (as defined in Article 2 of the FL on Mass Media), as well as ownership, management, and use of mass media and stocks (shares) therein (directly, as also via affiliates), as well as financing of election campaigns of candidates for offices in state authorities and local governments (candidates for elective offices)” should be added to the list of definitions stipulated by Article 4 of the Law.

Article 2. The list of actions prohibited for economic agents contained in Section 1 of Article 5 after the words “- unjustified refusal to conclude contracts with certain purchasers (customers) in spite of the possibility to produce or supply respective goods;” should be supplemented as follows:

“- actions aimed at retaining the dominant position on the market by non-economic methods.”

Article 3. The list contained in Section 1 of Article 6 after the words “refusal to conclude contracts with certain purchasers (customers);” should be supplemented as follows: “- actions aimed at retaining the dominant position on the market by non-economic methods.”

Article 4. Section 1 of Article 7 should be amended as follows:

“1. Federal executive authorities, executive authorities of the subjects of the Russian Federation, and local governments should be prohibited to approve acts and (or) take actions, which restrain the independence of economic agents, create discriminative (or preferential) conditions for the operation of certain economic agents in case such acts or actions result or may result in restraints on competition or infringement on interests of economic agents or citizens, and create conditions allowing the economic agent to carry out actions aimed at the retaining of the dominant position of the economic agent on the market by non-economic methods. They should be also prohibited: to obstruct activities of economic agents not prohibited by law in any sphere;

to prevent establishment of new economic agents in any sphere of activities in case such activity is not prohibited by law;

to give one or several economic agents preferential treatment so they have an advantage over other economic agents operating on the same market except cases where such actions are directly stipulated by the legislation currently in force.

Article 5. Article 8 should be supplemented with the following text: “creating conditions allowing economic agents to carry out actions aimed at the retaining of the dominant position of the economic agent on the market by non-economic methods.”

Article 6. Article 10 should be supplemented with the following text: “Repeated (more than two times) periodical (more often than one time in six months) publication of statements to the effect that clearly (most probably) identifiable economic agents should be granted individual

or group privileges, as well as statements about a special importance and usefulness of an economic agent by mass media.”

Article 7. This Federal Law should be enacted since the date of its official publication.

On the Amendment of the Federal Law (FL) “On Mass Media”

Article 1. Article 2 of the Federal Law “On Mass Media” should be amended as follows:

Federal channels - are radio or television channels with stable reception in the territory of subjects of the Russian Federation embracing more than half of the population of the Russian Federation. The aggregate audience of the Federal channels should be calculated as the aggregate size of the population living in the territories of the subjects of the Russian Federation with stable reception of each respective radio or television channel’s signal (separately for each type of broadcasting).

Version: amend the definition as follows: “stable reception in the territory of the region should be defined as the stable reception by at least the majority of the population of the administrative center of the subject of the Russian Federation.”

Article 2. Article 7 of the Federal Law “On Mass Media” should be amended as follows:

«Article 7. Founder

Founder (cofounder) is any citizen, an association of citizens, an enterprise, agency, organization.

The following persons and organizations should have no right to be founders:

A citizen under the age of eighteen, or serving a prison term according to a court sentence, or a mentally ill citizen deemed as legally incompetent according to a court ruling;

An association of citizens, an enterprise, agency, organization in the case the operation thereof is prohibited by law;

Cofounders should be deemed as joint founders.”

Article 3. Article 7¹ “Guarantees of the Independence of a Mass Medium” should be added to The Federal Law “On Mass Media” to the following effect:

“The Russian Federation, state agencies, authorities of subjects of the Russian Federation, affiliates thereof, groups of persons with participation thereof, as well as natural monopolies should have no right to be founders and / or owners of mass media. This prohibition should not be extended to official medium established exceptionally for the publication of approved normative and executive acts (‘Sobraniye Rossiyskogo Zakonodatelstva (The Collected Russia’s Legislation),’ ‘Rossiyskaya Gazeta,’ regional official media publishing exceptionally normative and executive acts of regional and local authorities).”

Article 4. Article 30 “The Federal Commission for Television and Radio Broadcasting” of the Federal Law “On Mass Media” should be amended as follows:

“Article 30. The Federal Commission for Television and Radio Broadcasting

The Federal Commission should issue licenses (directly and / or via territorial commissions for television and radio broadcasting) for broadcasting as well as to carry out other activities comprised by this Law.

The procedure governing the formation and operation of the Federal Commission for Television and Radio Broadcasting and territorial commissions should be stipulated by a law of the Russian Federation.”

Article 5. Article 31 “Broadcasting License” should be amended as follows:

“Article 31. Broadcasting License

Broadcasting licenses should be issued by the Federal Commission for Television and Radio Broadcasting and territorial commissions for television and radio broadcasting. Federal broadcasting licenses should be issued by the Federal Commission for Television and Radio Broadcasting.

Broadcasting licenses should grant holders thereof the right to transmit products of mass media registered in accordance with this Law using technical equipment for air, wire, or cable television and radio broadcasting, including those owned by the holder, in compliance with the conditions set by the license.

The license should be issued according to the outcome of a public auction held in compliance with the procedure stipulated by Article 448 of the Civil Code of the Russian Federation. The participants in the auction should present packages of contracts envisaging purchases of programs, the concept of broadcasting, as well as the amount of the bid and the proof to pay the bid. The winner of the auction should be a participant who bade the highest redeem price. The winner of the auction should be granted the license only after the redeem price is paid in full.

The transfer of the broadcasting license to another broadcaster should be subject to the approval of the issuing authority and require the respective re-registration of the license.

The amount of payment for the broadcasting license and the procedure thereof, as well as the re-registration fee should be set by the Government of the Russian Federation.”

Article 6. Article 32 “Cancellation of the License” should be supplemented as follows:

“ 4) in the case stipulated in Section 3 of Article 33¹ of this law.”

Article 7. Article should be added to the following effect:

«Article 33¹. Protection of the right of television viewers and radio listeners for access to information from an unbalanced control over the federal mass media.

1. A single person, as also a group of persons, affiliates should have no right to purchase more than 25 per cent of voting stocks (shares) in a legal entity owning a broadcasting license; a single person, a group of persons, affiliates in the aggregate controlling over 25 per cent of the total audience of the federal radio and television channels should have no right to directly purchase a broadcasting license relating to federal radio and television channels.

2. In the case such control is detected, RF citizens, legal entities should have the right to appeal to the Federal Commission for Television and Radio Broadcasting. The Federal Commission for Television and Radio Broadcasting should examine the appeal and either give reasons for the rejection thereof, or take appropriate measures aimed at the elimination of the violation within a month.

3. In the case the fact of the violation is established, the Federal Commission for Television and Radio Broadcasting should notify a person (a group of persons) indicated in Section 1 of this Article that the license will be cancelled and put up for an auction (tender) in the case the person (group of persons) fail to sell a share of stocks in the mass medium, cease the participation, or take other appropriate measures allowing to discontinue the unbalanced control over federal mass media – television and radio channels.

4. A federal anti-monopoly authority should monitor the situation on the mass media market and in the case the fact of the violation of Section 1 of This Article is established take the appropriate measures set by the legislation within its competence as stipulated by the Federal Law.”

Article 8.

1. State authorities executing the management of shares in mass media, as also shares in the founders of mass media, other shareholders indicated in Article 3 of this law should sell the shares in mass media under their management at public auctions within three months since the date of the enactment of this law. Prior to the sale of the shares, the aforementioned shareholders and their representatives in Boards of Directors (executive bodies of legal entities) and at general meetings of shareholders (founders) should vote against the liquidation of the legal entity owning the mass medium, amendment of the charter, reorganization, merger, founding of new legal entities, contribution of property in the authorized capital, and should have no right to use such shares for voting on any other issue.

2. State mass media except those not subject to the prohibition stipulated in Article 3 of this Law, as also the stocks (shares) in the authorized capitals of legal entities being founders of mass media, as well as legal entities holding broadcasting licenses relating to television and radio channels should be transferred in the accordance with the procedure stipulated by the FL “On Privatization of State-Owned Property and on the Principles of Privatization of Municipally Owned Property in the Russian Federation.” The State Television and Radio Channel “Kultura (Culture)” should be reorganized into a not-for-profit non-governmental organization.

Article 9. This Federal Law should be enacted since the date of its official publication.

On the Amendment of the Federal Law (FL) “On Public Service in the RF”

Article 1. Section 1 of Article 11 of the FL should be supplemented with Item 13 as follows: to vote directly or via representatives at the general meeting of the mass medium as defined in Article 2 of the law “On Mass Media” or a legal entity owning the mass medium or a controlling interest therein (more than a half of voting stocks, interests, shares).”

Article 2. This Federal Law should be enacted since the date of its official publication.

On the Amendment of the Federal Law (FL) “On the Principles of Municipal Service in the RF”

Article 1. Section 1 of Article 11 of the FL should be supplemented with Item 13 as follows: to vote directly or via representatives at the general meeting of the mass medium as defined in Article 2 of the law “On Mass Media” or a legal entity owning the mass medium or a controlling interest therein (more than a half of voting stocks, interests, shares).”

Article 2. This Federal Law should be enacted since the date of its official publication.

On the draft Federal law “On the Amendment of the FL ‘On Natural Monopolies.’”

Article 1. Article 8 prim “Bans and Restrictions on the Activities of the Subjects of Natural Monopolies, Managing Bodies and Officers of the Subjects of Natural Monopolies” should be added in the FL to the following effect:

1. The subjects of natural monopolies, the managing bodies and officers thereof should be prohibited to take actions aimed at the retaining of the dominant position on the market by non-economic methods in accordance with the definition set by the law “On Competition and Restraints on Monopolistic Activities on Commodity Markets.”

2. The officers of the subjects of natural monopolies should be prohibited:
to engage in entrepreneurial activities on their own;

to own enterprises;
to use stocks, shares, investments directly or via representatives for voting on decisions made at general meetings of economic partnerships and companies;
to vote directly or via representatives at the general meeting of the mass medium as defined in Article 2 of the law “On Mass Media” or a legal entity owning the mass medium or a controlling interest therein (more than a half of voting stocks, interests, shares).”

Article 2. Subjects of natural monopolies should sell the stocks (shares) they own in mass media within twelve months since the date of the enactment of this Law.

Within this period they should have no right to initiate meetings of shareholders, as well as use their voting power with the exception of voting against the liquidation of the mass medium, amendment of the charter, reorganization, merger, founding of new legal entities, contribution of property of the mass medium in their authorized capital.

Article 3. This Federal Law should be enacted since the date of its official publication.

“On the Amendment of Article 178 of the Penal Code of the Russian Federation”

Article 1. Section 1 of Article 178 of the Penal Code of the Russian Federation should be amended as follows:

“Monopolistic activities defined as the setting of monopoly high or monopoly low prices, as also the restraining of competition by dividing the market, limitation of the access to the market, squeezing other economic agents out of the market, actions aimed at the setting or maintenance of uniform prices, as well as actions aimed at retaining the dominant position on the market by non-economic methods -

should be punishable by a penalty in the amount from two hundred to five hundred of minimal wages, or in the amount of the salary or other income of the convicted person received over a period from two to five months, or an imprisonment for a period from four to six months, of an imprisonment up to two years.”

Article 2. This Federal Law should be enacted since the date of its official publication.

Annex 5

Abbreviations:

OAO (or AO) – Joint Stock Company

OOO – Company with limited liability

ZAO – Joint Stock Company without free stocks turnover (this legal form of enterprises was judicially effective till 1996)

SPS - Union of the Right Forces party

RAO “EES” – Russian Joint Stock Company (Joint Stock Company with Federal Government’s controlling interest) “Unified Energy System”

CPSU – Communist Party of Soviet Union

Political and economic situation in Irkutsk oblast

Irkutsk oblast was formed in 1937. Administratively it is divided into 33 rayons (small regions). Population - 2758.2 thousand, including city population – 2202.1 thousand (79%). Cities: Irkutsk (592.4 thousand), Bratsk (286.3 thousand), Angarsk (271.3 thousand), Ust-Ilimsk (110.3 thousand).

The Governor

Since 1997 the position of the governor of Irkutsk oblast has been held by former mayor of Irkutsk **Boris Govorin**. He was elected in the course of pre-term elections in 1997, having received the governor position as “legacy” from his predecessor, a strong, popular and strict Yuri Abramovich Nozhikov. During his term he lost a major part of control over the oblast, let unfriendly oligarchs have strategic enterprises and put the oblast into a position, which many observers call “crisis of the power”. In spite of this, by the beginning of the election campaign he managed to rise to the task and ensured his re-election for a second term.

Boris Aleksandrovich Govorin was born on June 27, 1947 in Irkutsk in a war-veteran family. In 1964 after his father’s death he started working as a metalworker. Concurrently he studied at an evening school, later at Irkutsk polytechnic higher school (Irkutsk Polytechnic University), which he graduated from in 1971, having acquired profession “Power supply to industrial enterprises in towns and in agriculture”. After his army term he worked at an enterprise dealing with high-voltage transmission lines, “Irkutskenergo”, where he got promoted from senior engineer of the relay service to deputy director. In 1983 he was invited to take the position of the chairman of the local executive committee of Sverdlovsk district of Irkutsk, later he was appointed as the director of the community facilities’ department of the city council. In later periods he worked as the chairman of the executive committee of one of the city’s districts and as a deputy of the city’s executive committee chairman. Since 1990 he worked as the chairman of the executive committee of the city of Irkutsk. In 1994 in the course of the first mayor elections in Irkutsk he was elected by an absolute majority of vote. Was viewed as one the best mayors in Russia. In 1996 he was elected President of the Association of Cities of Siberia and the Far East. In 1997 by the order of the President of the Russian Federation he was awarded with the Order of Honour “for his big contribution to social and economic development of the city and for his long-term conscientious work”. On July 27, 1997 in pre-term elections was elected as the governor. He got 50.3% of vote. The rivals that got closest to him – the secretary of the oblast communist party committee Sergey Levchenko (was supported by National Patriotic Union of Russia, got 18.8%) and deputy of the State Duma Victor Mashinsky (a member of the left-centrist party group “Narodovlastiye”, got 14%). On August 19, 2001 was re-elected as the governor in the course of the second successive ballot, got 47% of votes. This time he was by a narrow margin, having come before the first secretary of Oblast Committee of the Communist Party S. Levchenko, this time only thanks to use of the notorious “administrative resources”.

In spite of the fact that the Communist party of the Russian Federation opposes Govorin, his “support group” includes among others a well known writer Valentin Rasputin and a former head of the local KGB Fedoseyev (also known as one of the leaders of “The Front for National Liberation” in 1993. Fedoseyev today is a deputy of the region’s representative in Moscow. During the 2001 elections he was at the head of Govorin’s headquarters. He is close the the “Eastland” group of companies.

Govorin himself hides his own views. Nevertheless, close to him there are quite many people with “nationalistic and patriotic” and even monarchical (!) views.

At the very beginning the governor depended upon the so called “energy clan” led by Irkutskenergo’s director general, one of the classic “Northern barons”, V. Borovsky. As the governor’s deputies were appointed Borovksy’s confidant Valentin Mezhevich and a more neutral Aleksandr Petrunko.

Later, though other people came into the foreground. Since the end of 1999 the “power engineers” went over to a decisive opposition to Govorin. The reason for that was an “excessive” independence of the governor and his hunger for gaining a complete personal control of “Irkutskenergo”. With this in mind he tried to come to an agreement with owners of the

aluminium plant in Bratsk who at the same time possessed 20% of shares of “Irkutskenergo”, failing which, in October 2000 he concluded a union with Anatoly Chubais, having offered to him the shares in “Irkutskenergo” that belonged to the oblast in exchange for his protection. In February 2001 there appeared rumours that Chubais lost his interest in Govorin and contracted and alliance with another owner of shares of “Irkutskenergo” Victor Vekselberg (“SUAC” – Siberia-Urals aluminium company). At the moment of the April 2000 shareholders’ meeting the oblast administration allied with the “aluminium people” opposed the Ministry of State Property and Chubais. The managers of “Irkutskenergo” on the contrary jumped over to A.Chubais’s wagon.

Till recently operational management was provided by the first deputy **Nicolay Melnik** (he was an Irkutsk district party secretary. Since 1991 – director general deputy of “Sibexpocentre”. Since May 1998 – a deputy head of the oblast administration, in the period February – December 2001 first deputy) and deputies, such as **Lyudmila Berlina** (head of staff) and **Oleg Gyumenyuk**.

An important role is played by Yeroschenko brothers. Sergey Vladimirovich Yeroschenko (*the in-fact leader of East-Siberian financial and industrial group closely connected with the governor, previously – director general of “Eastland” company, chairman of the board of directors of “Vostsibugol” company*) and his brother Nicolay Yeroschenko (*the oblast representative in Moscow, ranked as vice-governor, member of the board of directors of bank “Olympiysky”, chairman of the board of directors of OAO (Joint Stock Company) “Russia - Petroleum”, controlling financial transactions of the biggest manufacturer of PVC-resins in the country*). Nicolay Yeroschenko worked for a long time in different KGB offices. Though the brothers didn’t manage to get it going in 2000 – 2001 with companies representing R. Abramovich and MDM-bank when they penetrated (into) the oblast. Their influence grew weaker. Vostsibugovl went over under control of the owner of MDM-bank A. Melnichenko.

In the second part of 1990s an important figure in the governor’s circle was also vice-president of “Alfa-bank” **Yuri Kovalev**.

Govorin’s break-up with the “power engineers” led to a “power supply” opposition in the oblast, which got organized itself in 2000 in the course of elections to the Legislative Assembly of the oblast. After the elections to the Legislative Assembly in September 2000 the power supply people formed an oppositional group of their representatives, which nominated their own candidate for the position of the chairman of the Assembly, director general of “Irkutseenrgo” Victor Borovskiy (In 1985 he took the position of the head of Irkutsk power supply system. In 1992 after the privatisation, employees of “Irkutskenergo” elected him their Director General. In summer 2000 he got elected as a representative to the Legislative Assembly of Irkutsk oblast. Together with him were also elected as representatives to the Legislative Assembly his deputy and directors of the biggest heat and power stations in the oblast). The “governor group” in the Legislative Assembly aimed at having their own candidate as the chairman, Vladimir Kovalkov. After a three-months struggle the “power supply” people got a winning hand and on December 25, 2000 Borovskiy took the position of the “speaker”. In 2001 Borovskiy joined the Union of the Right Forces (SPS). At present “Russian Aluminium” were trying to reform the majority in the Legislative Assembly, which they only managed at the beginning of 2002. (He was changed for S. Shishkin). The team of Borovskiy among others also include: former acting Director General of AO “Irkutskenergo” Sergiy Kuimov, who tried to keep his position in 2001, and Valentin Mezhevich, a member of the Council of the Federation representing the Legislative Assembly of the oblast. Borovskiy having been elected as the speaker has been trying to consolidate all of the opposition to Govorin. In particular, he managed to win*

over State Duma representatives Sergey Levchenko (the Communist Party of the Russian Federation) and Yury Kurin (The Union of the Right Forces), as well as representatives in the State Duma Y. Tan and V. Shuba. Though he currently has certain problems with the Communist party related to the open joining the Rights of nobody less, that Borovsky himself. Borovsky, though does not lose hope to change the position of the federal centre and recommence the competition for gaining 40% shares of the power supply system.

Governor election was called for July 29, 2001. At the very dawn of the election process there existed a supposition that running would be: oblast representatives in the State Duma Vitaly Shuba (vice-chairman of the Budget committee), Yury Tan, the secretary of Irkutsk oblast Communist party committee Sergey Levchenko, member of the Rights' group Yury Kurin, the mayor of Bratsk Aleksandr Petrunko. There were also rumours that the Minister of communications Nikolay Aksyonenko will also be running. Strong candidates were awaited from the "power supply" people and "RusAI". There were named Mezhevich, Borovsky, Tan, Aksyonenko and even Deripasko himself. But earliest of all to inform about his wish to run for the governor was Govorin.

In February 2001 leaders of the Rights, "The Apple" party and the Communist Party of the Russian Federation informed that they would be forming an election coalition "For fair election, for fair power". Members of the coalition adopted a declaration, signed by two representatives in the State Duma, the chairman of the Coordination council of the regional office of the Rights Yury Kurin, the first secretary of Irkutsk oblast Communist party committee Sergey Levchenko, and the Chairman of the regional office of "The Apple" party Vitaly Kamyshev,

On May 15, 2001 the election campaign officially started. In the first week their intention to run for Governor was expressed by 7 persons. The opposition contender was Valentin Mezhevich. Oblast convention of the Communist party nominated their first secretary of the oblast committee, representative in the State Duma Sergey Levchenko. Regional organization of the Liberal-democratic party nominated Nicolay Oskirko. Also decided to run for governor head of one of local police departments Aleksander Balashov.

According to public polls among the leading three were Govorin-Levchenko-Mezhavich, Mezhevich's electorate at that was for the most part city dwellers.

On June 26, 2001 the presidium of the Central Political Council of the "Yedinstvo" party adopted a resolution about its support to (for) Irkutsk oblast governor candidate and Irkutsk mayor correspondingly Boris Govorin and Vladimir Yakubovsky. It took a long time for the regional office of "Yedinstvo" to make up their minds.

On July 6, 2001 the regional office of the Rights gave its support to Mezhevich. Unsatisfied by the Governor's views on "Russia – Petroleum" also "Interros" gave its support to Mezhevich.

On July 25, 2001 "The Apple" stated, that they would be supporting Aleksander Balashov at governor election.

The first election round found its (took) place on July 29, 2001. It was won by the oblast Governor Boris Govorin and Sergey Levchenko, representative in the State Duma (the Communist Party). Levchenko left Govorin behind in **Bratsk**, Tulun and Bodaybo.

Govorin got 45.44%, Levchenko 22.92%, Mezhevich 12.46% (71597 votes), other opposition candidates: Balashov 4.30%, Drobysheva 3.32%. Against all candidates voted 7.15% (43339 votes). The attendance was 36.29%.

On July 31, 2001 Valentin Mezhevich and Aleksandr Balashov called their voters to give their support to Levchenko. Levchenko proclaimed that in case of his victory he will temporarily stop his membership in the Communist Party.

On August 19, 2001 the second round was held. The acting Governor, Boris Govorin won in the second round with a clear majority – **47.63% (330528 votes)** as compared to 45.26% (314093 votes) given to Levchenko. Against all candidates voted 5.57% (38669 votes). The attendance was √ 37.36% (694 935 persons).

Irkutsk, **Bratsk**, Bodaybo, Usolye-Sibirskoye voted for **Levchenko**, villages, Ust-Ordynsky autonomous okrug, Ust-Kut and Angarsk gave their votes to Govorin.

The plenipotentiary of the president in the Siberian federal super-region is Leonid Drachevsky. Drachevsky, a former ambassador, before that – Vice-chairman of the State Committee of the Russian Federation for physical culture and sports, was quite passive, not getting involved either in the election campaign or internal affairs of the oblast.

In Decmeber, 2001 governor Govorin made major personnel changes in his administration. “The Grey House” was left by the first governor deputy Nikolay Melnik, deputy administration head Oleg Gumenyuk, chief of the Social Department Vladimir Rodionov, head of the Prices committee Tamara Leonova, head of the oblast Transport and Communications Department Vladimir Gorpichenko, head of the oblast Environment department Aleksandr Vasyanovich, head of the Governor’s Personnel (HR) office Vladimir Yezhov, chairman of the Committee for regional resources Semyon Krut’.

At the same time Andrey Burenin was appointed as deputy head of the administration, he will be in charge of financial issues and tax policies. Previously Burenin kept the position of deputy director general of OAJ “SUAL-IrkAZ”. The enforcement part of job in the rank of vice-governor will be done by Sergey Boskholov, a lawyer, former member of the judicial committee of the State Duma of the Russian Federation and a former representative of Ust-Ordynsky okrug. Boskholov was vice-president of “Alfa – Eco”, one of the key structures in the “Alfa – Group”. Aleksandr Rudik’, chairman of the board of directors of Usolyekhimprom” (in brackets: an employee imported from Moscow), has also become a vice-governor. He accepted the Committee for Economy, Industry and State Property of the oblast.

There are rumours that A. Barantzev, the director of BrAP will be appointed first vice-governor and that N. Yeroschenko will lose his post as the head of Moscow office.

Against the background of the mayor of Irkutsk, who is absolutely loyal to the present governor, the mayor of the city of Bratsk Aleksandr Petrunko stands out, he was recently re-elected to resume his position in spite of strong resistance of “Russky Alumimiy”. He was born in 1954. Started working at the hydroelectric power station in Bratsk as a usual electrician for the main control compartment and had worked at the station for 20 years. From a usual worker he got promoted to the position of the chief engineer, later to the director of the hydroelectric power station. In summer 1996 he was elected to the Legislative Assembly of Irkutsk oblast and worked as a representative there without dropping his position at the station. In August 1997 he consented the then newly elected Governor Boris Govorin’s offer to take the position of his deputy in issues of industrial policies. In spring 1998 he took vocation to participate in the mayor election campaign in Bratsk. The Governor was neither giving his deputy any official support, nor rendering any active help to the election campaign of his deputy. They used to say bluntly in the region that Govorin and Petrunko failed to work well together. Funding for Petrunko’s campaign came though “Irkutskenergo”, controlled then by its Director general V. Borovsky. It is important to note, though, that Borovsky cam came to be an open enemy of Governor Govorin much later.

Petrunko was elected mayor on March 15, 1998, having clearly triumphed over mayor Nevmerzhytsky supported by the then leadership of BRAZ. (In the course of the election

campaign Petrunko was aided by his contacts in the local Office of Public Prosecutor that started a criminal case against the former mayor).

Petrunko proved to be a city leader that kept the balance between loyalty to big enterprises, oblast leadership and endeavour to maximize on-budget expenditures. For a long time there circulated rumours that Petrunko was ready to become one of the leaders of those opposed to the Governor. Representatives of the city administration had legal proceedings with the oblast administration about the money that the city hadn't rightfully received according to them. Among other things Petrunko published his "open letters to the Governor". In 1999 – 2000 the Mayor and the Governor didn't practically have any meetings with each other. In 2001 Petrunko in an emphatic manner rejected signing together with a number of other leaders of municipalities a letter denouncing the Legislative Assembly of the oblast, which had a clear majority of those opposed to the Governor led by former director general of "Irkutskenergo" V. Borovsky. But at the Governor election of 2001 Petrunko supported Govorin and even became his empowered representative accepting an official reprimand from the local election committee. Both Govorin and Petrunko deny the fact of any conflicts between them. Nevertheless, this is the most probable scenario of how the situation developed. As for his behaviour during the election period, one can view it as a lack of desire to start a campaign doomed to failure. Petrunko possesses also good relations with the majority in the Legislative Assembly that is united around the central figure of its speaker V. Borovsky, because the majority support budget interests of the city of Bratsk. Petrunko's relations with "Russian Aluminium" holding that belongs to R. Abramovich and O. Deripasko, who own BrAZ and have control over "Irkutskenergo" have been stable. Though literally speaking one of these days the mayor spoke in a rather controlled manner about his wish that tax allocations to the city budget should be increased, which was met with a sharp rebuff by Director general of Bratsk aluminium factory A. Barantzev. Petrunko said that he disagreed with the fact that BRAZ decreased tax allocations to the local budget, in particular of income taxes, having cut wages and salaries to those employed by the factory. Moreover, shareholders of BRAZ try to avoid further moving of the rest of those still living in settlement Chekanovsky located in the sanitary-protective zone of this enterprise. The long-term program on environmental sanitation of the factory lack the level of funding adopted by the shareholders of "Russky Aluminy" for other enterprises in non-ferrous metallurgy in Siberia. Moreover, the mayor called the replacement of management at Bratsk timber industry factory in December last year "an act of violence and robbery" and regretted that some of managers of BRAZ participated in that.

Though the mayor expressed his positive attitude to Aleksey Barantzev's activities as the director general of BRAZ, the latter did not accept this act of courtesy on the part of the mayor and at his press conference lashed the mayor with criticism, saying that the start of the election campaign of the latter with the aim to be re-elected, which is planned for April 7th, was a most "clumsy" one.

Key roles in Administration are played by the deputy mayor, the head of the administration staff **Odnostorontzeva** Mariya Ignatyevna and the first deputy mayor, chairman of the city economy committee **Kazakov** Viktor Stepanovich. The latter was the key figure in the previous mayor's team, Nevmerzitzky's, but shortly before the election he went over to the opposition and supported Petrunko.

Not long ago the city Duma of Bratsk, in spite of the Mayor's wishes, adopted changes to the City Statutes, which obliges the Mayor of the city to submit candidates to the position of mayor's

deputies to approval of the legislative power. The law has no retroactive effect and thus poses no difficulties for Petrunko for the time being.

The city Duma of Bratsk. It consists of 13 persons. The coordinator is S. Vardashkin, earlier worked at the time processing factory in Bratsk. Around 5 persons are controlled by “Ilim – Pulp”, others work in the budget sphere (teachers and doctors).

The oblast administration representative in the Council of the Federation.

Dmitry Mezentzev, president of the fund “Centre of Strategic Development”, was appointed as the representative of Irkutsk oblast administration in the Council of the Federation. D. Mezentzev replaced G. Gref in this position, who started working the Minister of economic development and trade in 2000.

He was born in 1959 in Leningrad. Worked in Komsomol, served as an officer in the Soviet Army, in the army press.

In 1990 – 1991 – people’s deputy in the city council of Leningrad, was the Head of the press-centre of the city council and the executive committee of the city.

In 1991 – 1996 – chairman of the Committee for the press and mass media in the city council of Saint Petersburg, representative of the Ministry of information and the press in the city itself and Leningrad oblast.

In 1996 – 1999 – Vice-chairman of the State Committee for the Press of the Russian Federation. Since November 1999 has been the President of the Centre for Strategic Development

He is known as a person close the so-called “KGB men from St. Petersburg”, as well as to the Minister of the Press V. Lesin.

Representative of the Legislative Assembly of the oblast in the Council of the Federation.

The representative of the Legislative Assembly in the Council of the Federation is a “companion-in-arms” of V. Borovsky, **Valentin Mezhevich**, a former deputy of director general of “Irkutskenergo”, a former first vice-governor in Govorin administration, now one of the major critics of the Governor. Born in 1947 in Tulun and raised in Irkutsk Valentin Yefimovich Mezhevich having graduated from the power engineering faculty of the Polytechnic Institute got a job at heat power station 11 in Usolye-Sibirskoye. There he got gradually promoted from a usual mechanic of the boiler shop to shop superintendent. In 1978 Valentin Mezhevich participated in construction of a heat station in the city of Ust-Ilimsk, where later he became first deputy chief engineer, then the director. In 1991 Mezhevich was appointed as deputy of director general of “Irkutskenergo” in economics.

Since 1997 Valentin Mezhevich has held the post of the first deputy of the head of administration of Irkutsk oblast. Mezhevich is candidate of technical sciences. He bears the title of “honorary power engineer of the Russian Federation”, has won bronze medal on Russian Expo for new types of boiler units application, has been honoured by the Ministry of Emergencies for his contribution after the crash of an air liner outside Irkutsk.

In 2000 Mezhevich was elected representative in the Legislative Assembly of Irkutsk oblast, constituency nr. 45. On March 15, 2001 at an ordinary session of the Assembly he was elected by the deputies a representative of the Legislative Assembly in the Council of the Federation of the Russian Federation. Valentin Mezhevich works in the Budget and tax policies committee.

The region's economy

Open-type joint-stock companies “Pulp and Paperboard Mill” (PPM) and “Bratskcomplexholding” (BCH)

Facilities of Bratsk pulp and paper mill to produce cellulose exceed 1 million ton per year. The owner of all of the production assets of the mill in Bratsk is the open-type joint-stock company “Pulp and Paperboard Mill” (PPM) 100% of shares of PPM belonged to “Bratskcomplexholding” (BCH). The “Ilim Pulp” group controls 86% of BCH. Today the owners of the company are closed-type joint-stock company “Fintzell” and Swiss company INTERTSEZ S.A. “Ilim Pulp Enterprise” owns control packets of shares of the pulp and paper mill in Kotlass, “Bratskcomplexholding”, a board mill and printing factory in St. Petersburg, joint-stock company “Paper mill Communar” and 27 logging enterprises in Arkhangelsk and Irkutsk oblast. “Ilim Pulp” has also shares in the authorized capital stock of timber processing factory in Syktyvkar, timber processing factory in Ust-Ilimsk and a cellulose factory in Pitkyarant. The holding also comprises trade company “Petroboard Trading”, logistics company “Fintrans”, also “Communarvortoresursy” that collects waste paper in St. Petersburg, Leningrad oblast and Moscow oblast, and a factory in the Czech Republic, “Plzenska Papirna”. The holding produces 40% of all cellulose and paperboard in Russia, 65% of its produce is exported.

In their turn the major owners of the “Ilim Pulp” group of companies are considered to be natural persons – Chairman of the board of directors **Zakhar Smushkin** and members of the coordination council of ZAO “Ilim Pulp Enterprises” brothers **Boris and Mikhail Zindarevich**.

The conflict between the “Ilim Pulp” group and “SibAl” started at the end of December 2001 after officers of justice relieved Director general Sergey Khvostikov of his post as the leader of the factory and put the former director general back Georgy Trifonov into his position (the latter is also deputy director of “Ilim Pulp Enterprise”). Together with the officers of justice there were seen at the factory deputy director of business of IPG “SibAl” Victor Belyaev and Yacov Itzkov, director general of “Coyuzmelloresurs” company (a “SibAl” company). But right after the managers of “Ilim Pulp” were deprived of their posts as leaders of the factory there was appointed a new deputy director general for BCH, Vladimir Korkushko, who previously was the head of “RusAl’s” representative office in Irkutsk.

Management of “Ilim Pulp” group accused “SibAl” of a violent seizure of the factory and went to the court to get back their controlling posts. The power seizure at the factory was followed by a suit arranged by “Irkutskenergo” which is greatly owned by “RusAl’s” shareholders, about BCH’s insolvency. The argument for the suit was the fact that Trifonov had cancelled the agreement about restructuring of BCH’s debts to the power supply company for a total sum of over 750 million roubles for a 12-year term. Trofimov’s activities at the factory can be described as a classic example of a “manager to create crisis situations”.

Bitter fights in court, though, did not prevent the opponents starting negotiations to reconcile the dispute. As a result, “RusAl’s” shareholders and the “Ilim Pulp” group agreed that representatives of “Sibirsky Aluminii” would give up their posts in the leadership of the big pulp and paper mill in Bratsk. The team of managers that had been controlling the factory since the 21st of December left the enterprise at their own free will. There was set up a board of inquiry to assess effects of their activities at the factory. Representing “Ilim Pulp”, Director general of

OAO (PPM) Sergey Khvostikov got back his position. Vladimir Batischev was appointed as the director general of OAO "BCH".

Nevertheless, the company had to pay its debts to "Irkutsenergo". It was done not without further incidents. At a certain stage the account of "Irkutskenergo" was closed to make it impossible for PPM to get rid of the bankruptcy situation simply by having paid the debts. But both the federal centre (in the person of the Ministry of economic development and The Federal Insolvency Agency) and the city authorities of Bratsk in presence of benevolent neutrality of oblast authorities intervened, which led to the fact that "Russky Aluminium" thought it wise to stop the overtaking of the enterprise, which had been performed on rather dubious grounds.

Open-type joint-stock company Bratsk Aluminium Plant (BrAP)

Authorized capital stock of "Russky Alyuminiy" holding is comprised of shares of the following companies: Krasnoyarsk Aluminium Plant (KrAP, 66.13%), **Bratsk Aluminium Plant (BrAp, 98.35%)**, Novokuznetsk Aluminium Plant (NvAp, 66%), the United company "Sibirsky Alyuminiy" which consists of Sayany Aluminium Plant, Samara Metallurgical Works and "Sayanskaya Folga" works (OKSA, 95.79%), Achinsk Aluminous Works (AAW, 54.09%), Belaya Kalitva Metallurgical Works (75.0%), Dmitrov Pilot Plant for Production of Aluminium Tin Band (78.51%), "Rostar" Plant for Packaging Material of Aluminium (100%), OAO "Aluminium Construction Materials" (100%), ZAO "Aluminium Domestic Goods" (75.1%). Shares of "RusAl" itself belong to six offshore companies. Building up of "RusAl" started in 2000, when shareholders of "Sibneft" bought control interests in BrAZ, KrAP and AAW and decided to unite their assets with assets of "Sibirsky Alyuminiy". "RusAl" today is owned in approximately equal shares by companies belonging to Oleg Deripaska (that have control over "SibAl") and Roman Abramovich (the biggest shareholder of "Sibneft". For this equality "SibAl" that owned an aluminium plant in Syanogorsk, a number of processing enterprises and the aluminous works in Nikolayev had to make an extra payment to its partners of about \$500 million.

At the end of 2000 "RusAl" turned to the antimonopoly ministry asking for a permission to transfer to its balance shares of the aluminium works, and the Ministry of Antimonopoly politics has obliged the company to finalize the process by the 25th of December, 2001. "Rusal" informed that the process to form its authorized capital stock of 23.1 billion roubles was over.

In 1990s the controlling interest in BrAP belonged to a rather intricate conglomeration. It was represented first of all by Trans World Group (Lev Chernoy) companies and Trans Cis Commodities (David Ruben). The blocking-off packet of shares was under the control of the chairman of the board of directors of the plant, Yury Schleifstein. Sales policies according to a widespread opinion were greatly influenced by already convicted acknowledged authority of the underworld Vladimir Tyurin (Tyurik). The articles of association were declared invalid in the course of one of trials, by new ones had not been adopted before year 2000. Thus, baffling complexity flourished at the plant.

The situation was changed with time. At the beginning of 2000 the controlling packet of shares was bought out by R. Abramovich and O. Deripasko from L. Chernoy and D. Ruben. According to one of the versions, though, Dilcor International Ltd that bought the packet was nevertheless owned by Abramovich and it's not a fact that it was shared with "Siberian Aluminium". In the summer of 2000 also Y. Schleifstein sold his packet of shares. At present BrAP is under a complete control of "Rusal".

The Director general of the enterprise is **Aleksey Barantzev**, who earlier in the times of L. Chernoy – Ruben – Bykov managed the aluminium plant in Krasnoyarsk. He has reputation of a good manager, being a rather difficult person to communicate with at the same time.

Joint-stock company “Irkutskenergo”

Establishing of one of the largest power supply systems of Russia in the basin of the Angara river was predestined by the lavish resources of the region. The region is rich in coal, iron ore, rock salt, gold, mica, magnesite, fire-clay, timber, all kinds of construction materials. Lake Baikal with its 23 km³ of fresh water and early hydroelectric potential of 201 billion kWhrs plays a decisive part in the oblast's development. The pattern of complex usage of the single river that flows out of Baikal – the Angara – envisaged building six hydroelectric power stations: Irkutsk, Sukhov, Telma, Bratsk, Ust-Ilim and Boguchany stations. Pools of these stations constitute an uninterrupted stepdown tandem reservoir system from Baikal to the Yenisey. The coordinated hydroelectric Angara system that possesses the capacity to control the flow ensures a most effective operating mode for heat stations. The development of Irkutsk power supply system is inseparably connected with building of the Angara system. Building of the powerful hydroelectric station at the Angara promoted building up of Irkutsk power supply system as it is now integrated into the power supply system of Siberia, and in particular promoted establishing a system of electric circuits with 500 kV voltage.

Local heat stations are fuelled with coals extracted by means of open-cut mining at coal open-pit mines in Eastern Siberia. Heat stations generate electric power and heat using symbiotic fuel cycles and are meant for covering power consumption needs of the industry and cities of Irkutsk oblast.

By its power supply and energy generation capacity the power system of Irkutsk region can produce more than 70 billion K.W.H. of electricity and up to 46 million gigacalories of heat. Irkutsk power supply system is one of the largest systems of the country with a nominal capacity of 12.9 thousand megawatt. About 70% of its capacity is represented by three hydroelectric power stations: Irkutsk, Bratsk and Ust-Ilim stations, the rest of the capacity is distributed between 13 heat stations. Irkutsk power system is a redundant one. Its nominal capacity is enough to provide power for local consumption and export part of it to other regions.

Shareholders' pattern of “Irkutskenergo” is as follows: 24.5% shares – the Ministry of State Property, 15.5% - the administration of Irkutsk oblast, about 27% - “Russian Aluminium” (“Rusal”), approximately 10% - Siberia-Urals aluminium company (“SUAC”) , 5% each possess the non-governmental pension fund “Energiya” and ADR owners of “Irkutskenergo” shares, the rest belongs to former managers (V. Borovskoy, V. Kuimov, V. Mezhevich) and tiny shareholders. Vladimir Kolmogorov, former director at “Krasnoyarskenergo” was elected Director general of this company. It should be noted that during his term at Krasnoyarskenergo Kolmogorov faced lots of accusations about financial abuse of his position, though it did not change shareholders opinion about him. Votes of both the government, and oblast administration, “SUAC” close to the “Alfa – group” and “Russian Aluminium” went to him. Thus former managers of the enterprise come off second-best in the summer of 2001, having lost the support of the Ministry of State Property that controlled the shares that belong to the

government.³⁰ The enterprise is actually under a joint control of SUAC and “Russian Aluminium”.

Speaking theoretically, though, it is not improbable that the situation will change. According to the ruling of the Supreme arbitration tribunal of February 5, 2001 40% of shares were declared federal property, though Irkutsk oblast previously owned 20%. At the same time the tribunal allowed the oblast to use 15.5% of shares with no right to their alienation. After that the oblast administration charged the holder of “Irkutsenergo” shareholders’ register – Irkutsk fund agency – to transfer only 4.5% of shares to federal property, the administration kept 15.5% of shares. The Ministry of State Property can start a new trial against Irkutsk oblast, if they wish to vote with all 40% of shares at the next shareholders’ meeting in “Irkutsenergo”. The ruling of the tribunal is quite vague and will be interpreted in different ways.

Irkutskenergo did not manage to reduce power tariffs for aluminium plants under control of co-owners of the power supply company itself – “Russian Aluminium” and “Siberia-Ural Aluminium Company” (“SUAC”). The Regional commission for power supply has decided that tariff for producers of aluminium shall on the contrary be increased.

The results of the meeting in the Commission disillusioned both power suppliers and aluminium manufactures. Mean power supply prices will grow by 27% (up to 0.2001 roubles per K.W.H.) since compared to January prices. Prices for big consumers in industry including aluminium plants will also grow, though Irkutskenergo was asking for the opposite. As a result instead of today’s 0.174 roubles per K.W.H. IrkAP and BrAP will be paying 0.20 roubles per K.W.H. At the same time mean heat prices will grow by only 25%, not 2.2 times, what Irkutskenergo was asking for at the beginning. Though having bought packets of shares of “Irkutskenergo” both SUAP and BrAP have already achieved a price reduction for themselves from \$0.01 to \$0.005 per kw.

Annex 6

Political and economic situation in Tver oblast

Tver oblast (Tverskaya oblast) is the most spacious and poorly populated of all regions right outside the metropolitan area, its population is among “the oldest” ones in all Russia, its natural resources are poor, the region has never learned to make profit by its advantageous geographical location (between Moscow and St. Petersburg). The oblast as a rule does not attract any attention of influential political and economic agents from the Centre.

After a deep recession in all branches that lasted for a whole decade, there was registered a partial stabilization in 1998, and since 1999 there is industrial growth. At the same time stagnation in agriculture persists.

Political situation

The Governor of Tver oblast is **Platov Vladimir Ignatyevich**. He was born on October 23, 1946 in village Ovechkinovo in Sobinsky rayon in Vladimir oblast in a peasant family. He graduated from a technical secondary school for aircraft mechanics in Vladimir. In 1969 he started working in electrical networks: first as an electrician, then network controller, high

³⁰ As a form of payment for this support the managers were ready to assist in a trial to devoid the Irkutsk oblast administration of its shares and transfer them to the Ministry of State property.

voltage networks chief. In 1974 he became chief power engineer and then was promoted to the position of deputy director and later was became director at “Bezhetzkselmash” plant (manufacturing agricultural machines). In 1992 – 1995 he was the head of administrations in the town of Bezhetzk and Bezhetzk rayon. In 1993 Platov ran for representative in the State Duma of the Parliament of the Russian Federation, single member constituency nr. 172, nominated by “Vybor Rossii” (Russia’s choice), he used radical reform slogans and lost utterly to communist V. Bayunov, the main opponent to oblast administration in 1990s. In 1995 he was listed on “Yabloko” (The Apple) roll, but left it later. He ran for Governor of Tver oblast during December 1995 election. Quite unexpectedly he survived through the first tour and won over acting Governor V. Suslov.

The very first head of oblast administration election was held in December 1995 concurrently with parliamentary elections. Initially it was expected that V. Suslov, who had been in charge of the oblast since 1991 (before that since 1987 was the head of the executive committee of the same oblast) in the situation of lack of any serious rivals would easily confirm his credentials. The election campaign was shadowed by parliamentary elections and did not attract any attention outside the region. The result turned out to be a completely unexpected one – V. Suslov lost about 15 percent points to the head of an outlying district, Bezhetzk rayon, V. Platov.

V. Platov’s first term “in the governor’s armchair” was marked with lost of conflicts between the executive authorities and oblast’s Legislative Assembly, the Office of Public Prosecutor, etc. The ground for these conflicts was first of all V. Platov’s inconstancy, his unexpected and sometimes illogic solutions, especially his decisions about personnel. In four years at the post of the governor he never managed to become the sole “master” of the oblast, there were preserved autonomous power centres, such as the Legislative Assembly, city administration of the city of Tver, oblast Prosecutor’s Office. V. Platov did not manage to achieve a complete control over main economic actors in the region and oblast mass media. But even in spite of a evidently weak position (especially in comparison with heads of administrations of many other regions) V. Platov remained the election favourite, as far as during his term as the governor of oblast there were formed a united organized opposition, there appeared no influential and popular leaders capable to compete with him.

Having got the post of the governor V. Platov kept **Y. Krasnov** as vice-governor, the key figure of the previous administration (we will talk about him later). None of other claimants upon the key role of vice-governor managed to beat him: **Igor Yalyshev** (at present he leads a mass media holding around “TV6 – Tver”) and **Viktor Volkov** (in 1997 he was arrested, later convicted for giving credits to a “friendly” company, “Tver – Khaskovo – BT”). In 1998 there appeared a new favourite in the oblast, **V. Opekunov**, appointed as first deputy of the governor. It was him that the governor sent to help to build up “Otechestvo”, and it was indeed Opekunov, who built up a structure aimed against the governor himself.

Long before the 1999 election among V. Platov’s rivals were named the communists and city authorities of Tver. The communist party of the Russian Federation in the region is definitely one of the strongest political parties, it controls both of the single member constituencies, they are comparatively strong in their activities in the Parliament of the oblast and the level of head of rayon administrations. The decision to nominate **V. Bayunov**, the leader of the local communists, was not supported by a quite more popular and widely known lady T. Astrakhankina, a representative of the “left” wing of the communist party of the Russian Federation. She decided to nominate herself and rejected to participate in the governor election only because of a heavy pressure from the side of the regional and Moscow party leaders. Bayunov’s campaign was financed by “Rosagropromstroy” corporation controlled by **V. Vid’manov**.

The mayor of Tver, **A. Belousov**, who had been at the head of the city administration for 12 years, was viewed as one of the main rivals to the post of the head of the oblast by analogy with

other regions, where in many cases leaders of oblast centres won in governor elections. But A. Belousov's influence and his scope even in the same city of Tver were quite limited, he was practically unknown outside the city at that. In a certain period A. Belousov reckoned on election support from Moscow's mayor, Y. Luzhkov, but having made certain that he would not receive any support from Moscow, A. Belousov refrain from participation in the election and formally supported the head of the regional office of "Otechestvo", first governor deputy V. Opekunov. During the election campaign itself A. Belousov took a neutral stand (at least in public).

In addition to A. Belousov two other potentially strong candidates refrained from their participate in the election. Vice-governor **Y. Krasnov** displayed his loyalty to V. Platov, thanks to this after the latter was elected he kept his post and his influence became even stronger. Former governor **V. Suslov** (now director of the Head post-office in Tver), in spite of numerous attempts to persuade him, decided not to run that risk and rejected to come back to regional politics.

V. Opekunov was not capable of serious conquering with V. Platov. Before August 1998 when he was appointed as the first deputy of the governor he managed a civil construction organization in St. Petersburg, "LenStroyrekonstruktsiya", in Leningrad oblast and had nothing to do with Tver oblast. Being a "freshman" in regional politics and "an imported" politician V. Opekunov had neither enough connections in the regional elite, nor any popularity to be a successful candidate. His position was even more weakened by a split in the local organization of "Otechestvo". Both candidates nominated by "Otechestvo" to the State Duma in both single member constituencies, representatives in the Legislative Assembly of the oblast, director of "Melkombinat" factory S. Potapov and a well-known leader of collective farm "Mir" in Torzhok rayon, N. Popov, at the very last instant refused to participate in parliamentary elections and nominated themselves for the governor election. As a result "Otechestvo" at the governor election was represented by three candidates. Moreover, this organization also had supporters of V. Platov, the majority of them however left this organization after V. Opekunov was nominated, having thus weakened his organizational scope.

The specific feature of political life in the oblast characterized by an active role played by federal authorities showed itself when **G. Vinogradov**, former chief of the Federal Security Service was nominated. In its time V. Platov managed to "compel" from Moscow the decision to fire G. Vinogradov, who was actively fighting corruption in oblast administration. Nevertheless, G. Vinogradov kept his numerous connections in enforcement structures, among his allies one should first of all name former oblast public prosecutor **v. Parchevsky**, an old and convinced adversary of V. Platov. Initially it was thought that G. Vinogradov would be nominated by "Yabloko" (he was allied with them because of his corruption fight), but G. Vinogradov preferred to run as an independent candidate.

The stage of signature collection and registration was successfully was overcome by several more candidates, including whole three entrepreneurs from Moscow: A. Stroyev (civil construction business), A. Trachenko (a candidate supported by Nonolipetzk metallurgical works controlled by V. Lisin), A. Porc (oil trader).

Widely popular among all candidates was only V. Platov. V. Bayunov even in his "hometown", Bezhetzk constituency low to another local communist leader by popularity, T. Astrakhankina, S. Potapov was a political figure known only in the oblast centre. The rest of candidates were practically unknown to voters. Though, popularity and visibility provided by his service status were perhaps the only undoubted V. Platov's advantages as compared to his rivals.

According to the widely spread opinion V. Platov's team were not looking away from the possibility of coming second. With this in mind it was presumed that the best rival for the governor would be a communist candidate, in this case it would have been possible to use the ideological confrontation between democrats and communists. Even other candidates (S. Potapov, G. Vinogradov, N. Popov) called for more anxiety as figures more acceptable for the majority of voters. Poll showed that the only real rival for V. Bayunov in his struggle for second place was S. Potapov, it was against him that the major work was done by Platov team (in

particular, S. Potapov was accused of that it was him as director of flour mill who was guilty in high bread prices, also used was the idea of S. Potapov's "personal lack of modesty", as far as his children were getting their education abroad). At the same time there was neutrality between V. Bayunov and V. Platov's team, V. Bayunov did not criticize V. Platov, while discrediting materials that could be used against V. Bayunov were reserved for the second tour.

Practically all of the rest of candidates, S. Potapov, G. Vinogradov, V. Opekunov, A. Trachenko, based their campaigns on criticism against the oblast administration and V. Platov personally. At the same time, in spite of numerous corruption scandals connected with V. Platov's deputies, there were never vocalized any serious accusations against the governor himself (though, Vinogradov, for example, was planning initially to base his campaign on exposure of the governor and his "shady dealings"). The situation on the whole turned out to be profitable first of all for V. Bayunov, he was peacefully campaigning, while V. Platov and other non-communist candidates were using up their forces on mutual accusations.

The attendance was 65%, V. Platov got 257,483 votes (32.4%), V. Bayunov – 181,413 votes (22.8%). S. Potapov was supported by 12.4% voters, G. Vinogradov by – 5.9%, N. Popov by 5.5%, V. Opekunov and A. Stroyev got 3.7% each, other candidates got less, than 2% each. There were 6.2% of all voters, who voted "against all"

On January 9, 2000 the attendance was - 53%. Out of 645.2 thousand voters 299.9 thousand (46.48%) voted for V. Platov and 296.5 thousand (45.95%) for V. Bayunov. In this way the result of the vote, that is the fact that V. Platov kept his "governor chair" was decided by a majority on mere 0.5% (3.4 thousand voices).

After the end of the first tour there happened considerable changes in V. Platov election campaign staff: the campaign actually went from the hands of the previous team that included employees of the oblast administration and those that had been employed by the governor for the 1995 campaign to the hands of image-makers from Moscow, their work was managed by the newly appointed V. Platov's deputy **S. Bystrov** (another "imported" person in the oblast administration, who came second in the election to the State Duma in Bezhetsk constituency).

The second tour manifested the influence of heads of municipal units on regional policies. The gap between V. Platov and V. Bayunov turned out to be that negligible first of all because of the opposition to the governor displayed by heads of several rayon heads of administration. After Bayunov lost the election he without success tried to contest the results in the Supreme Court, later he moved to the post of the leader of staff of the party group of the communist party in the State Duma and drastically decreased his influence in the region by leaving it.

Vladimir Platov kept in touch with V. Chernomyrdyn, A. Chubais and Y. Gaidar. He backs lower taxes and local government. The administration of the region is greatly corrupted, during Platov's term in the region there were convicted three vice-governors (A. Stepanov, V. Volkov, I. Gulayev), circumstances around the latter's appointment (a professional fraud that had left his visible trace in this vast country) are close to those in a grotesque joke. Nevertheless, the opponents' attempts to find anything in the criminal way about V. Platov in person were in vain. After the 1999 election when Platov was re-elected governor of the region by a very narrow margin, he actually for more than half a year did not appear in his working office because of an illness. Though later he resumed his work in the normal way.

A key role in the administration of Tver oblast is played by vice-governor **Yuri Mikhailovich Krasnov**. According to the diffused opinion **it is he who de facto had been managing the**

oblast during 1990s. According to the hierarchy of executive powers in Tver oblast the office of vice-governor is second important after the governor himself, in the third place is the post of the first deputy of the governor, then come ordinary deputy governors.

In spite of the partial changes in governor V. Platov's team after his re-election in the beginning of 2000 the post of vice-governor was kept by Krasnov. Krasnov comes from Bezhetzk, he is Platov's predecessor at the post of the head of Bezhetzk rayon. The principal influence source of Y. Krasnov is a unique combination of the friendly local association with the governor as they come from the same place and the fact that he is rooted in regional elite (in 1990 – 1991 Y. Krasnov was the second secretary of Soviet Union's communist party oblast committee). He also was the leader of the regional "Yedinstvo" political movement.

At the same time other offices in the oblast administration experienced a considerable turnover of staff. In this way **Sergey Bystrov**, an entrepreneur from Moscow became one of deputy governors, he was the head of Platov's election team during the 1999 election in the critical period between the first and the second election tours, he earlier used the support of the governor to run for representative in the State Duma of the Russian Federation in constituency 172. In 2000 the oblast administration staked on him and nominated him as candidate for the position of mayor of the city of Tver. Nevertheless his candidature was a decisive flop and he lost to the acting mayor, A. Belousov, and was forced to resign and disappear from the political horizon of Tver oblast. (At present he works as advisor for the Minister of labour, A. Pochinok). More than a dozen deputy governor lost their offices in 2000 in the course of "job cuts" proclaimed by the Governor.

Andrey Alekseyevich Stroyev, an entrepreneur from Moscow, became a deputy governor after the election in February 2000, he made himself visible for the first time in Tver oblast in the governor election of 1999 as one of candidates (and the president of ZAO "Tverstroycomplex" at the same time). His is in charge of the united state policy in the sphere of property and land relations, the investment and social and economic policies, issues of industrial development and entrepreneurship, way building, transport, communications, science and technology. For a long time Stroyev was viewed by the local elite as a potential new administration leader, in particular, he managed to appoint his own ally Aleksander Zatman vice-president in charge of power and heat supply instead of V. Pleshakov, who was thought to be "created" by Y. Krasnov. But since the summer of 2001 Stroyev's influence started drastically to diminish. According to a number of evaluations he is balancing on the verge of retirement. Stroyev's troubles started concurrently with troubles in "Sibur" group of companies, whose interests Stroyev have been lobbying, in particular in the situation with bankruptcy of "Tverkhimvolokno".

One of deputy governors, the head of the governor's office (organizational and personnel issues, control over carrying out of taken decisions, contacts with the Tver oblast election committee, political parties and movements, non-governmental funds, mass media) is **Danilov Yuri Yuryevich**. He is an old friend of the governor, was invited by him from St. Petersburg in 2000. He worked for the "Soyuscontract" company. According the diffuse opinion, he managed to build up the office and stabilize the situation which had been looked upon as a hopeless one when the governor was ill at the beginning of 2000. He is a foe of one of big entrepreneurs, I. Yalyshev.

One of deputy governors (housing and communal services, gas-pipe laying, power supply, fuel industry, supplies of materials and machinery and resources, food industry, public catering, human services, consumer market) is **Zatvan Aleksander Borisovich**. In the time of the Soviet Union he started out his career at a car factory in Moscow (AZLK), where he got promoted as high the post of the secretary of the Komsomol bureau of the factory in issues of ideology. In 1990s he worked as a manager for financial group AFK "Sisitema". "Created" by Stroyev. A foe of one of the biggest entrepreneurs in the region, Mostafa Khamuda. Several accusations were brought against him in connection with one of criminal kings from Chechnya **Rustam Taramov**.

Among other influential administrators is governor deputy (financial and budget policies) **Raidur Ivan Petrovich**. One of the most long-standing allies of governor V. Platov. Though, there exists a supposition that rather soon he will be replaced with an “immigrant” from RAO “Gazoprom” A. Kotlyar and deputy governor (civil construction, architecture and town-planning, timber industry, woodworking industry, pulp and paper industry, use of natural resources, historical heritage protection, implementation of “State Housing Certificates” programme) **Tyagunov Aleksander Aleksandrovich**. In 1995 – 1999 he was a representative in the State Duma from NDR. He controls a business connected with tobacco factories.

The Legislative Assembly

The Legislative Assembly since 1998 has been headed by V. Mironov, before that he worked as the head of Tver State Technical University. His cautious position corresponds to the general attitude of the oblast legislative assembly, which was very little politicised (the core of Legislative Assembly is comprised of leaders of industrial and agricultural enterprises and chief medical officers from local hospitals). Later the Legislative Assembly generated an opposition to Mironov, which led to his resignation from the post of the speaker (called in question by the governor’s allies). As the result of new elections to the Legislative Assembly held in December 2001 the new members are ultimately loyal to the governor, the new speaker is **Mark Khasainov**, previously the mayor of Vyshny Volochek, the governor’s follower possessing a big authority in economic issues. The representative of the Legislative Assembly in the Council of the Federation is **V. Petrov**, prior to this appointment he worked as deputy finance minister of the Russian Federation (only recently exonerated).

The chief federal inspector for the region is **Kosenko Vladislav Petrovich**, he was “imported” from St. Petersburg by Viktor Denikin, deputy plenipotentiary of the President of the Russian Federation in the Central Super Region. Lieutenant colonel of the Army. In recent years having resigned from the Army he worked as director general for the North-Western Fuel and Power company. In 1999 ran for representative in the State Duma from “Dukhovnoye Naslediye” (Cultural heritage). Sports: judo, international “master of sports” in the heavy weight category. Has peculiar “hard boiled” behaviour, at one of the meetings with heads of local administrations he announced: “it is me who is the boss in the oblast!” One of the most fundamental opponents to the governor (accused the administration of the latter of corruption and one of the most influential persons in the region, in spite of the fact that historically he has no connection with the region. Truth should be said, that recently the new person in charge of Tver oblast in the office of the plenipotentiary of the President in the Central Super Region, A. Yesaulkov, having met with governor Platov announced about his support to the policies of the latter. It is possible that we are witnessing a struggle between different clans in the office of the plenipotentiary of the President of the Russian Federation in the Central Super Region.

Federal administrative officials (head of the Federal Security Service I. Yermakov, head of the state television and radio company “Tver” I. Lagutin, Public Prosecutor of the region A. Anikin, head of the local office of the Ministry of the Interior V. Kuznechik, head of the regional office of the Ministry of Taxes and Dues N. Levandovskaya) do not belong to the most influential persons and have no clear political positions. The local office of the Ministry of Internal Affairs though, has traditionally been more loyal to the governor, than the Federal Security Service and the Public Prosecutor’s office. It should be said that previous Public Prosecutor for Tver oblast, **V. Parchevsky**, retains his big influence, though removed from his office at length in 2001 due to the governor’s effort, he got a new higher office – the head of the local department of the General Prosecutor’s Office for the Central Super Region.

Among other influential political figures in the region one can name the following ones:

Representative in the State Duma of the Federal Assembly of the Russian Federation **Tatyana Astrakhankina**, since 1993 she has been constantly winning elections in Tver constituency.

Previously a provincial journalist from Rzhev T. Astrakhankina remains one of the youngest representatives in the party group consisting of members of the Communist Party of the Russian Federation. She has a radical image, a combination of “a fighter against the anti-popular regime” ideas and “Orthodox and patriotic” rhetoric proves to be rather successful in her case and never stands in the way in most decisive moments when it’s important to vacillate in pace with the party line. Head of the oblast committee of the communist party and editor-in-chief of trade union paper “Pozitziya” V. Zor’kin, a State Duma representative of Bezhetzk constituency is much less known and popular.

Igor Yalyshev (former vice-governor, the owner of the mass media holding “TV-6 – Tver”, owner of casino “Troyka”) retains much influence in the oblast administration, he was the initiator of the 2001 “combat” aimed against Beloysov, the mayor of Tver. In the electoral sense of the work Yalyshev is most unpopular (in the Legislative Assembly election he got only 2% of votes), that is why the administration tries not to “put him in the searchlight”. Yalyshev is unsatisfied with the fact that Y. Danilov, the head of the governor’s office has been gaining so much prominence.

Sergey Potapov (director general of OAO “Melkombinat” leads the oblast Union of manufacturers and entrepreneurs. At present he is keeping himself in the shadow, accumulating his powers for next election.

Tamara Koryagina, the leader of “Yedinaya Rissiya” movement in Tver oblast. In 1997 – 2000 she was the President’s representative in the region, in 2000 – 2001 – vice-governor. Initially it was thought that with respect to recommendations of the Centre “Yedinaya Rossiya” would be headed by the representative in the State Duma from “Otechestvo – Vsya Rossiya” V. Opekunov, but the local office of “Yedinstvo” headed by vice-governor Krosnov threatened that in this case it will not be joining the new party. Koryagina was elected as a trade-off approach figure. Koryagina is a politician with experience, who knows how to avoid taking parts in a conflict.

Aleksander Kharcheno is the head of administration in the city of Rzhev, second largest city of the oblast. It is known that he keeps good contact with the head of the new Legislative Assembly V. Khasainov.

Business in the Region.

Key enterprises of the region, **Kalininskaya Atomic Power-plant** (part of “Rosenergoatom”) and **Konakovskaya Hydroelectric Power Station** (part of RAO “EES”) are controlled from outside the region, the same concerns the distribution network of “**Tvernefteproduct**” (part of “Surgutneftegaz”) are located outside the region. The managements of these enterprises do not interfere with the political processes in the region and their dependence on them is unimportant. It should be noted, though, that in view of strategic significance of these enterprises usage of the procedure of bankruptcy in connection with them cannot be expected.

Among economic conflicts one should note the conflict about OAO “**Tverkhimvolokno**”. This enterprise was declared bankrupt. It was planned initially that it would be sold to “Sibur” against future investments. But in the second part of year 2001 the new manager approved a new representative of the “Alfa – Group”, O. Potasheva, after having received support of another creditor, Kalininskaya Atomic Power-plant and the oblast administration (**Y. Krasnov**, A. Stroyev, who was earlier in charge of this enterprise supported “Sibur”). The city administration and the chief federal inspector for the region, **V. Kosenko** have objections about “Alfa – Group” control.

City Administration and Chief Federal Inspector in the region, **Mr. V.Kosenko**, have objections to “Alfa – Group” control over the enterprise. The trial is going on.

OAO “Tver Viscose Filament Factory” is also in the process of bankruptcy, it was transferred to companies controlled by “Mezhregiongaz” with **Y. Krasnov’s support**.

At the fuel market of the region, except for one daughter company of “Surgutneftegaz”, there exist companies under control of deputy governor **A. Zatvan**, viscose filament and OOO “Shevon” (the owner is **Mostafa Khamuda**). It is these companies that profit from petrol and lubricants deliveries to the region’s agriculture.

OAO “Afanasiy – pivo” that produces well-known beer “Afanasiy” was transformed from ZAO “Tverpivo”. The enterprise’s director general is **Maxim Larin** (30 years old), the son of the leader of brewers in Tver Vladislav Larin (died in 1998), he has been actually managing the enterprise since 1997. In the process of reorganization former chief of security of the brewery, O. Smirnov, disappeared from the list of shareholders. Moreover, there is a long-standing trial about underpayment of taxes in the period 1995 – 1996. The control packet of shares belongs in all probability to Larin himself and his wife Olga, but a considerable part of it was mortgaged to get a credit from Moscow Sberbank. In the middle of 1990s at the initiative of the governor Larin, jr., got even arrested on the charge of economic abuse, but he managed to prove that he was innocent.

OAO “Melkombinat” headed by candidate in the 1999 governor election **S. Potapov**, is the major grain processing factory in the region. According to estimates Potapov himself owns about 30% of the factory’s shares, the rest is dispersed among the amiable employees. According to rumours S. Potapov has some connection with a group of “underworld” Azerbaijanians that help OAO “Melkombinat” to get its hands on agricultural enterprises in the region.

OAO “Tverskoy Vagonostroitelny Zavod” (Tver railway carriage plant) is a monopolist in passenger carriages manufacturing in Russia, Novolipetzk metallurgical works has long been interested in it. At present a buying up the plant’s shares is under way. At the same time it is important not to allow the plant’s bankruptcy, because the plant is in a difficult financial situation because of tax debts.

Theoretically speaking, the direction of the federal programme **on high-speed railway “Moscow – St. Petersburg”** can get quite interested in the situation in Tver oblast, because the new railway is supposed to be built on the territory of the oblast. The present governor, **V. Platov**, strongly objects.

Conclusion

The tough struggle between V. Platov team and the split opposition in 1999 practically ended in a draw: the acting governor won in the second round with a negligible margin. This election result actually anchored the 1996 – 1999 situation with all problems and weakness of the political regime in the region. The fact that the governor was reelected blocked the possibility of drastic changes, and at the same time the unconvincing victory of V. Platov gives no ground to expect a stronger position of the governor and his strengthening as the dominating figure in regional politics.

After the election also an extreme disagreement in the political and economic elite persisted. Persistence of the conflict on the whole, no doubt, weakens the regional elite in its relations both with the central authorities and Moscow capital, as well as with the voters.

Among the results of the governor campaign also lacked formation of a strong and united opposition to the head of the oblast in the region, a communist candidate came second at the election, he was backed to a greater degree by the national popularity enjoyed by the communist party of the Russian Federation, than by actually lacking regional electoral “mechanism” of the communists, in the course of the campaign he failed to unite around himself different forces in opposition to V. Platov.

Nevertheless, Platov’s chances for a new re-election are not big. In the time that is left before the next election in the region there can quite perfectly appear a new leader, who will be capable of consolidating the local elite. Vice-governor Y. Krasnov can become such a figure, as well as several other persons that represent the opposition today. At the same time the chief federal inspector in the Region, V. Kosenko, though he can help the opposition, has no electoral chances himself in connection with his specific image and lack of any connections with the region in the past. T. Astrakhankina’s chances are neither great, her rating from one election to another is constantly growing lower, which is no wonder, because her image since 1993 has practically remained unchanged.

Annex 7

Political and economic situation in Yamalo-Nenets autonomous okrug

GENERAL INFORMATION

Its territory is 750.3 thousand sq. km. (5th place in Russia). It is a part of Tyumen oblast, borders on Komi, Nenets and Khanty-Mansi autonomous okrugs, Krasnoyarsk Krai and Taimyr (Dolgano-Nenets) autonomous okrug, which is a part of the latter. Population: 488.4 thousand (72nd place in Russia), city dwellers: 82.9%. Nationalities: Russians — 79.2%, Ukrainians — 17.7%, Tatars — 5.3%, Nenets — 4.0%, Byelorussians — 2.7%, Khanty— 1.5%, Bashkirs — 1.3%, Komi — 1.2%, Moldavians — 1.1%. Administrative units: 7 rayons, 6 cities of okrug status, 9 urban villages, 42 rural communities. The centre — Salekhard (founded in 1595, before 1933 — Obdorsk), 29.8 thousand.

Since late 80-ies the political situation in the okrug has been chiefly characterised by the struggle for an increase in the okrug's status and its independence from the authorities of the Tyumen oblast. The "Sovereignty Show" has affected the okrug practically simultaneously with the majority of other autonomous entities. The Council of the okrug announced in October 1990 that the okrug would be reorganised into a republic and the natural resources, water and continental shelf were declared the exclusive property of the republic. The oblast authorities did not

acknowledge the status change and suggested that the okrug authorities prepare an economic and political substantiation and hold an all-oblast referendum. The idea of the republic was discussed for some more time, it was even proposed that the three Nenets okrugs be united into one republic, but it did not go any further than the declarative language.

In the late eighties and early nineties the okrug authorities managed to get on without serious shocks and kept succession. After the 1990 elections **Lev Bayandin**, a Nenets working as the Head of the Okrug Executive Committee since 1987, was elected Chairman of the Okrug Council; in 1991 Bayandin was elected Head of the Okrug Administration and Alexander Kuzin, Bayandin's deputy, became Head of the Okrug Council. S. Korepanov became the First Secretary of the Okrug Committee of the CPSU, taking the place of **Valery Pervushin**, who moved up to the post of a Secretary in the Tyumen Oblast Committee of the CPSU (Currently Pervushin is the Secretary of the Administrative Council uniting the administration heads of the oblast and two okrugs). After the dissolution of the CPSU S. Korepanov remained an influential figure in the okrug.

In 1992 to 1993 the rivalry between the authorities of the okrug and the oblast was growing stronger; the okrug was trying to demonstrate a greater degree of independence as compared to the neighbouring Khanty-Mansi okrug, it was more ready to exacerbate the relationship with the oblast authorities. The most serious attempt to enter into contractual relationship with the South was the agreement on the division of powers in the area of economic relationship. The agreement was signed in 1992; however, it left out the main point, namely, the use of natural resources. An acceptable wording was found by May 1993, however, soon thereafter the Okrug Council recalled its signature on the agreement. An important document for the okrug was a special RF law on the okrug (similar to a charter or a constitution, which an autonomous okrug could not have under the legislation then in force), but the Supreme Soviet of RF did not manage to pass it.

No major conflicts between various authorities took place inside the okrug. There arose serious contradictions between the okrug authorities and the heads of gas- and oil-producing cities that wanted to take the leading positions in the okrug. At the same time it was proposed that the administrative centre be moved to the more well-to-do and well-equipped Novy Urengoi, but, on considering this issue in August of 1993, the okrug council abandoned the idea.

After the events of September - October 1993 the okrug council refrained from sharp words and did not condemn the President; however, the administration suspended the deputies' activities. Only one candidate was elected in the elections of December 1993, S. Korepanov (26.3% votes), at that time the Gasprom representative in the region. Other candidates, the best of whom were Nikolai Lushkin, the Head of Department "Urengogazenergo" (19.3%), A. Kuzin, Chairman of the Okrug Council (18.9%) and Sergei Kharyuchi, Deputy Head of Administration for Northern Nations, who was supported by the party "Vybor Rossii" (18.4%) received less votes than there were cast against all the candidates.

Year 1994 saw a change in power: in February L. Bayandin was dismissed from office for "systematically exceeding one's commission and performing steps aimed at discrediting the executive body of the okrug". Deputy Head of Administration of the Tyumen oblast Y. Neyolov replaced him. Substituting a person from Tyumen for the person inconvenient for the oblast authorities was evidently aimed at putting an end to the "warfare" between the okrug and the oblast; however, soon the new Head became just as independent.

Initially Y. Neyolov was considered Acting Head of Administration. The by-election of a second deputy to the Federation Council on 6 March 1994 became the test that he had to stand. Y. Neyolov received 48.8% of votes, leaving other candidates far behind. Receiving 10.6% of votes, Nina Yadne from "Arcticneftegazstroi" was the second, similarly to the elections to the State Duma in December 1993. In August 1994 Y. Neyolov's appointment as Head of Administration was confirmed.

Governor Neyolov Yuri Vasilyevich. Was born on 24 June 1952 in the city of Salekhard in the Tyumen oblast. This name was first mentioned in a letter of tsar Boris Godunov addressed to Ivan, son of Ilya Neyolov, the Head of Verkhoturys, the ancestor of the current governor. In 1974 Neyolov graduated from the Tyumen Industrial Institute as a mechanical engineer; in 1991 he graduated from the Academy of Administration under the President of RF as an expert in management and sociology. He worked as a mechanical engineer, head of a transportation department of the Salekhard Aviation Enterprise (Yamalo-Nenets autonomous okrug), from 1976 - 1977 he was an instructor at the Yamalo-Nenets Okrug Komsomol Committee, thereafter the Second Secretary, the First Secretary of the Yamalo-Nenets Okrug Komsomol Committee, the Second Secretary of the Surgut City Committee of the CPSU (city of Surgut, Tyumen oblast).

From 1992 till 1994 Neyolov held a position of the Deputy Head of Administration of the Tyumen oblast. Initially he was regarded as a protege of L. Roketsky's, under whose management he worked for a long time in Surgut. Neyolov kept good personal relationship with Roketsky. For instance, after Roketsky's election in 1996 to the position of the Governor of the Tyumen oblast (the okrugs refused to participate in the election) and the related hearings in the Constitutional Court he still spoke highly of Roketsky among his close friends.

On 13 October 1996 he was elected to the position of the Head of Administration of Yamalo-Nenets autonomous okrug, receiving approximately 70% of all votes.

On 26 March 2000 Neyolov was re-elected to the position of the Governor of Yamalo-Nenets autonomous okrug. He received 87.93% of votes.

Neyolov was member of the Federation Council of the Russian Federation and sat on the Committee for the Issues of the North and Small Nations.

At the annual meeting of shareholders on 26 June 1998 Neyolov was elected to the Gasprom Board of Directors. In 1999 he was removed from the Gasprom Board of Directors, whereupon his relations with Chernomyrdin and Vyakhirev became strained.

He takes a reservedly negative attitude towards P. Latyshev and S. Sobyenin. During Sobyenin's inauguration ceremony in 2001 Neyolov permitted himself openly attacking Sobyenin.

Other YNAO leaders worth mentioning are as follows:

Levinzon Iossif Lipatyevich. Vice-Governor of the YNAO.

Levinzon graduated from the Tyumen Industrial Institute as a mining engineer and geologist. He started working in Urengoi as the mining engineer; thereupon he worked as the head of the oil and gas exploration expedition. From 1987 till 1995 he was Director General of the Production Amalgamation "Purneftegaseologia". In January 1996 Levinzon was appointed First Deputy Governor of Yamalo-Nenets autonomous okrug.

Levinzon is considered to be Neyolov's "money bag". He is one of the main lobbyists (together with the V. Nikiforov, former Director General of "Zapsibgasprom") for the scenario of "Zapsibgasprom" removal out of Gasprom's control. He actually owns OAO "Purneftegaseologia".

Levinzon was one of the organisers of the agreement between Itera Group of Companies and the Tyumen Oil Company (TNK) on the joint management of ZAO "Rospan", concluded in October 2001 and at present disavowed by Itera.

Arteyev Alexai Vladimirovich. Deputy Governor of YNAO.

Arteyev graduated from the Tyumen State University, Faculty of History. From 1986 till 1992 he engaged in scientific and teaching activities in the laboratory for the research of the social and economic issues of the Western Siberia oil and gas complex, in the Department of Politology of the Tyumen State University and in the Institute for the Development of the North of the Russian Academy of Sciences Siberian Branch. From 1993 he worked in the administration of Yamalo-Nenets autonomous okrug. Initially he headed the Division of Information and Analytical Research, then the Department of General Politics, Co-operation with the Federal Authorities and Subject of the Russian Federation. In March 2000 A.V. Arteyev was elected deputy of the State Duma of Yamalo-Nenets autonomous okrug, in April 2000 he was elected Chairman of the YNAO State Duma. In November 2000 he was appointed Deputy Governor of the autonomous okrug. He is in charge of relationship with other subjects of the Federation and the RF government. In fact it is not Arteyev, but the Head of the okrug Representation in Moscow Borodulin who plays this role.

Experts estimate that he is a talented professional manager, but a poor political analyst and scenario writer, which is what Neyolov expects from him.

It had been planned that A. Arteyev would be appointed one of the three first vice-governors of the Tyumen oblast after S. Sobyenin's victory in the 2001 election. However, Sobyenin unexpectedly objected to this appointment and asked the Yamal authorities to "look for someone else".

Demchenko Oleg Vasilyevich - deputy Governor of the autonomous okrug for the issues of transportation, telecommunications and life-support systems.

He graduated the Energy Faculty of the Pavlodar Industrial Institute as an electrical engineer and was appointed by Glavtyumengeologia to the newly established expedition in the village of Krasnoselkup, Yamalo-Nenets autonomous okrug. In the expedition he worked as the electrical engineer, thermal shop superintendent, chief power engineer. From January through December 1991 he worked as the director of the Housing and Communal Company LUX.

In 1991 Demchenko was appointed Head of the Krasnoselkup District Administration. In January 1996 he was moved to administration of Yamalo-Nenets autonomous okrug and appointed Head of the Department of Construction, Transportation, Telecommunications and Life Support Systems; in November he was promoted to the post of Deputy Governor of the Autonomous Okrug for Life Support Systems, Transportation and Telecommunications. In January 1997 Demchenko was appointed and in March 1997 elected to the post of the Municipal Entity in the city of Salekhard. In June 2000 he was again appointed to the post of Deputy Governor for Life Support Systems, Transportation and Telecommunication.

One of the key vice-governors, Demchenko controls the Road Construction Fund of the okrug and construction companies in Nadym and Noyabrsk. He has the reputation of being a greedy and brutal person.

He is considered to have strong influence upon the E. Galkovich, Head of Noyabrskgasdobycha Gas Production Company and Deputy in the Duma of the Tyumen Oblast'.

Volkova Lyudmila Dmitriyevna. Deputy Governor of the autonomous okrug, Head of the Administration of the autonomous okrug Governor. Previously, until December 2001, she worked as the Head of Administration under the Tyumen Governor Roketsky. She was in charge of Roketsky's election campaign and was in fact rewarded for bringing it to a failure. According to certain reports, she has provided the "northerners" with exact information on the number of people who came to the voting polls and the course of voting in the south, which allowed the "northerners" to cast an additional amount of ballot-papers needed to win in the first round already. Admittedly, she is a very effective manager. Upon Roketsky's defeat she worked for

some time in the administration of the Khanty-Mansi autonomous okrug, but could not get on with the colleagues. Grown up in the city of Surgut, she is believed to have known Neyolov since the Komsomol times.

Ishmayev Igor Anatolyevich: Head of the Committee for the State Property of the Okrug (in the rank of Deputy Governor of the autonomous okrug).

In 1978 he graduated from the Tyumen Industrial Institute as the mining engineer and geophysicist; in 1990 graduated from the Sverdlovsk Communist Party Higher School as the politologist and lecturer in social sciences. Ishmayev worked in the West-Siberian All-Union Institute of Geophysics and in Tyumen Industrial Institute. From 1982 till 1990 he worked as a Komsomol organisation man in the Tyumen City and Tyumen Oblast Committees of the Komsomol. He worked for two years in the Tyumen Oblast Executive Committee; from 1991 to 1994 he worked in the Department for Business Support. Since 1994 he has been working in economic committees and commissions of the Yamalo-Nenets autonomous okrug administration. In November 1997 he was appointed deputy Governor of the YNAO and Chairman of the Committee for State Property.

Ishmayev is one of the key persons in the okrug administration. **Elena Zlenko**, the second wife of Ishmayev's, is in charge of dwelling allocation and the programme of migration to the south in the administration.

Yashkin Nikolay Nikolayevich. Assistant Governor, former deputy of the autonomous okrug Governor, Head of the Department for International and Interregional Activities. Yashkin is one of the most enigmatic figures in the okrug administration: there is practically no information about him. In his special comment on Yashkin's resignation of 24 December 2001, Neyolov pointed out that "the status of the assistant is no lower than that of the vice-governor".

Svintsova Albina Petrovna. Deputy Governor, Head of the Department of Finance. Previously was in charge of the Department of Finance only. Appointed to the current position in the end of 2001.

Terentyev Vitali, deputy Governor for construction. Former vice-mayor of Tyumen. After Sobyanin's election victory he worked for some time as the Head of the YNAO Representation in the Tyumen oblast. He is considered to have accumulated a fortune during his work in the Tyumen City administration and a very rich person.

Other influential political figures we believe are important to mention are as follows: firstly, this is the State Duma deputy N. Komarova (before the election to the Duma she was the first vice-governor, until 1998 she was the mayor of Novy Urengoi. In the elections of December 2001 she acted as V. Chernomyrdin's successor and received 71% of all votes. The role of the political strategy superintendent passes more and more into the hands of **V. Kolesnik**, Head of the Department for Mass Media and Printing Trades. Former vice-governor and currently the deputy plenipotentiary of the President of the Russian Federation in the Urals Region **M. Ponomaryov** clearly plays a role; so does the former Head of the okrug government **E. Lukianova** (currently businesswoman in Moscow), too. The latter two are admittedly in opposition to Neyolov.

A most important role in the court proceedings of the past years was played by **Nadezhda Terletskaya**, who was Head of the Judicial Department of the Supreme Court Representation in Yamalo-Nenets autonomous okrug. At present time she is the deputy governor.

An important role in the structure of the okrug administration is also played by the Department for the Regulation of Resources and Development of the Oil and Gas Complex (headed by **S. Gmyzin**), Department for International and Foreign Economic Activities (headed by **A. Mazharov**).

In experts' opinion, the former Head of the State Committee for the North, former deputy of the State Duma and candidate for governor in 1996 **V. Goman** has lost his influence.

On the whole, Y. Neyolov's status is stable.

Heads of Structures Reporting to Federal Authorities

Polyakov Vladimir Alexeevitch. Public Prosecutor of Yamalo-Nenets autonomous okrug. There is little information available on him; he is known to have actively defended Mr. Chupakhin, the Prosecutor of the town of Noyabrsk, when the latter was suspected of corruption.

Pogorely Victor Grigoryevich. Head of the YNAO Division of the Federal Security Service Regional Department for the Tyumen Oblast. Does not play any special role.

Fedosov Konstantin Alexandrovich. Head of the Department of the Interior of the autonomous okrug. The Department has recently become independent of the Tyumen Oblast Department of the Interior. Fedosov does not play any special role.

Ulyanov Oleg Vasilyevich. Head of the Department for the YNAO of the RF Ministry for Taxes and Duties, Head of the Department of the Federal Tax Police Service for YNAO (the town of Labytnangi).

Lukianenko Alexander Nikolaevich. Head of the Customs Office (the town of Novy Urengoi)

Valery Alfyorov heads the West-Siberian Interregional Agency of the Federal Service for Financial Recovery of Russia. Alfyorov is under strong influence of the "Alfa-Group"

Leonid Guselnikov, former press secretary of YNAO Governor, has become the Chairman of the "Yamal-Region" Okrug Department of the State Committee for Television and Radio (like in most of the Federation entities, it belongs to the YNAO administration, not to the RF government).

Stanislav Kazarez, a professional policeman, is the Federal Inspector in the YNAO. He was appointed to this post in 2000; previously he was Deputy Head of the YNAO Department of the Interior.

The State Duma of the YNAO

The current 3rd State Duma of the YNAO consists of 21 deputies. 18 deputies were elected on 26 March 2000 and represent single member constituencies. Three deputies from a single member constituency were elected only in the second tour on 28 May 2000. Alexei Vladimirovich Artyev was elected Chairman of the State Duma.

On 1 November 2000 A.V. Arteev was relieved of his deputy's and chairman's post due to his appointment to the post of the deputy of YNAO Governor. **Kharyuchi Sergei Nikolayevich** was elected Chairman of the Legislative Body of the autonomous okrug.

All the deputies of the autonomous okrug State Duma have higher education. There are four female deputies (19.05%).

The deputies elected to the 3rd Duma include 6 deputies from the previous Duma of the autonomous okrug, 9 people from various enterprises (various forms of ownership) and institutions. 3 deputies represent the ethnic minorities of the North.

Chairman of the YNAO State Duma and the Deputies

Chairman of the YNAO State Duma. Kharyuchi Sergei Nikolayevich. Chairman of the State Duma of Yamalo-Nenets autonomous okrug.

He was born on 26 November 1950 in the village of Tazovski, Yamalo-Nenets autonomous okrug, in a family with many children. His father was a hunter and deer-raiser. Kharyuchi graduated from the Extra-Mural Department of the Sverdlovsk Communist Party Higher School and the Russian Academy of Civil Service under the President of the Russian Federation.

In October 1989 at the 1st Okrug Congress of the Small Nations of the North Kharyuchi was elected President of the Association of the Indigenous Small Nations of the North "Yamal for the Descendants!" From 1991 till 1994 he was Deputy Head of the Administration of the YNAO for National Policy, and thereafter Deputy President of the YNAO Government and Chairman of the Committee for the Nations of the North under the YNAO Administration. On the whole, after Bayandin's dismissal from the leadership of the okrug Kharyuchi's positions have grown much weaker. He was elected from the Nadym constituency to the Oblast Council of People's Deputies, Chairman of the Commission for Nations under the Oblast Council.

In March 2000 Kharyuchi was elected to the 3rd State Duma of the YNAO from the single member constituency.

Deputies:

Stepanchenko Valery Ivanovich (in charge of the Committee for Legislation and Committee for the Budget, Taxes and Finance), Andriyanova Galina Dmitriyevna (in charge of the Committee for Nature Management and Economic Development and Committee for Social Policies and Nationality Issues).

YNAO Representations

The Representation of the YNAO in the RF Government is headed by Borodulin Nikolai Arkadyevich.

His main task is to monitor the compliance with the Agreements of the okrug administration with Gazprom and oil production companies and to optimise document flow between the administration of Yamal and the federal centre.

The Representation of Yamalo-Nenets Autonomous Okrug in Tyumen oblast is headed by Saifitdinov Fuat Ganeyevich.

His main tasks include to ensure legal appointment of the YNAO property to Tyumen, provide political, economic and information support, establish timely co-operation between the heads of departments and services in the okrug administration and the possessions in the south.

The Representation of the YNAO in the Sverdlovsk oblast is headed by Shishmaryov Valeri Mikhailovich.

In addition, there are representations of the YNAO in the Kurgan oblast and in the Ukraine, but they do not have any significant practical value.

Major enterprises in the region.

«Gazprom».

OOO «Gazprom» is obviously the most significant enterprise in the district. It is well known, however, that Gazprom itself is registered in Moscow which exempts the company from paying local taxes. It is therefore Gazprom's subsidiaries registered in the district that are taxable to the district, namely OOO Nadymstroigazdobycha, OOO Nadymgazprom, OOO

Noyabrskgazdobycha, ZAO Yamalgazinvest, OOO Yamburggazdobycha, OOO Severgazprom (100% owned by Gazprom).

OOO "Nadymgazprom". Director General **Kononov Victor Ivanovich**. He is supposed to be patronized by **P. Rodionov**, former Deputy Chairman of the Board of Gazprom. OOO "Nadymgazprom" is successor of "Nadymgazprom" which is specializing in production and transportation of gas and was set up with a view to develop Medvezhiye gas field. The primary activity is production of gas, gas condensate and oil as well as transportation of gas. The company is operating in the subpolar and polar zones of Western Siberia and Yamal peninsula where it played a major role in building city Nadym and Pangoda settlement. In the early eighties, "Nadymgazprom" started to operate at Yamal peninsula. The company connects its future to the development of gas and licensed condensate fields Bovanenkovskiy and Kharasaveiskiy, as well as oil, gas and condensate field Novoportovskiy. Licenses have been obtained to conduct prospecting and appraisal of four fields and three prospect sites. Along with the arctic program the company is developing gas field Yubileinyi and gas and condensate field Yamsoveiskiy, satellites of Medvezhiy, which allowed it to maintain the previous volume of gas production under the circumstances of natural decrease in gas production at Madvezhiy. Remaining among the three top gas companies in the industry, "Nadymgazprom" produces about 220 millions m³ of gas daily, over 70 billions m³ of gas annually (73,600 billions cubic meters in 2000). About 1.7 trillions m³ of gas have been supplied to the customers in the country and abroad.

OOO "Yamburggazdobycha". **General Director:** December 18 Andreyev Oleg Petrovich was named for the directorship of OOO "Yamburggazdobycha". He graduated from Tyumen Industrial Collage in 1987. His major was Technology and comprehensive mechanization of oil and gas fields. At "Yamburggazdobycha" he rose between 1987 and 2001 from oil and gas production operator to the Deputy Director General.

Set up in 1984, OOO "Yamburggazdobycha" is one of the world leading gas production companies licensed to develop gas fields Yamburgskiy, Zapolyarniy, Tazovskiy and Kharvutinskiy. "Yamburggazdobycha" produces 35% of gas in Russia; possesses the biggest balance stocks of hydrocarbon within the Gazprom system; developed unique technologies of production and preparation of gas and gas condensate; shows excellent investment prospect. At present, the daily output of the company amounts to over 500 millions m³ of gas and 1800 tons of condensate. Over 2000, gas production amounted to 168 billions m³.

The population of Yamburg settlement, which was built by OOO "Yamburggazdobycha", is over 5.5 thousand people. Of those employed are 8070 people. Employing a shift crew method significantly decreases the cost of gas production. The gas produced in Yamburg is cheapest in Western Siberia. The crew shift lasts from two weeks to two months.

Aleksandr Anenkov, who headed the company over the last few years, was reckoned among the members of Rem Vyakhirev's team. However, upon the changes that took place in the senior management of the monopoly, he was promoted, by replacing fired Piotr Rodionov, Deputy Chairman of the Board of "Gazprom" on industrial matters.

Igor Shapovalov, former Chairman of the Board of «Zapsibkombank», has retained his influence on the enterprise.

OOO "Noyabrskgazdobycha"

Galkovich Mikhail Iosifovich, Director General, is supposed to be largely dependent upon Mr. **Levinzon**, vice-governor of the Yamalonenetskiy Autonomy District and Mr. **Vazhenin**, head of concern «Surgutgazprom» located in the neighbouring district.

OOO "Noyabrskgazdobycha" is a large modern enterprise with almost three thousand employees. This is almost over 20 years the enterprise has been producing gas in the south of the Yamalonenetskiy Autonomy District. At present, four gas fields are incorporated into OOO "Noyabrskgazdobycha", namely Vyngapurovskiy, Komsomolskiy, Zapadno-Tarkosalinskiy and

Gubinskiy. In 2000, OOO "Noyabrskgazdobycha" produced 64.5 billion m³ of gas, including the agreements on supply of 15.6 billion m³ of hydrocarbon raw materials. The enterprise is currently the fourth in Russia in production volume of natural gas.

In 2001, OOO "Noyabrskgazdobycha" plans to develop a new gas field Vyngyakhinskoye; it is licensed to develop Yety-Purovskoye gas field, which is scheduled for development in the nearest years.

OOO "Noyabrskgazdobycha" focuses on bringing into operation those gas fields which are considered medium in stock volume.

OOO «Urengoigazprom»

Director General **Suleimanov Rim Sultanovich** is one of the legendary oil industry worker. He is supposed to be in close relationship with **V. Chernomyrdin**. "Urengoigazprom" was set up in 1977 with a view to produce hydrocarbon in Urengoiskoye, unique and giant gas, oil and condensate field. The field is extensive in boundaries extending as far as 230 kilometers from South to North and ranging in width from 30 to 60 kilometers. A big area of the field extends to the polar circle. In 1997, Severo-Gamburgskoye oil field was discovered. New fields Tab-Yakhinskoye and Pestsovoyoe are scheduled to be developed by using comprehensive new technologies. The key task of geophysical prospecting is to build up stocks of the enterprise. In 1998, wildcat wells were put up in Vostochno-Yamsoveiskiy, Yuzhno-Pestsovaya and Severo-Samburgskaya areas. OOO "Urengoigazprom's" activity is production and preparation of gas as well as supply of gas condensate to refineries. It maintains 15 units of comprehensive preparation of Senomanskiy gas and four units of Valzhinskiy gas, as well as 26 shops of booster compressor plants and four gas cooling plants. Gas is produced from more than two thousand production wells. Serviceability of the wells is provided by the intensification and maintenance service, which performs over one hundred maintenance jobs and put into production of up to 40 idle wells. Over 2000, 193 300 billion cubic meters of gas were produced by the enterprise.

AO (Joint Stock Company) "Sibneft-Noyabrskneftegaz"

Director General: **Savskiy Mikhail Yefimovich**. Takes no key decisions. The enterprise is basically managed by its owner Joint Stock Company «**Sibneft**», **E. Shvidler, R. Abramovich in particular**. Also, the former Director General **V. Shevchenko** and **V. Gorodilov** (son of a legendary "northern baron" V. Gorodilov who was Director General of AO "Noyabrskneftegaz" till 1996) as well as Chief Geologist **Reval Mukhametdinov** have influence on the policy of the enterprise.

AO "Noyabrskneftegaz" was set up in 1981 and became a Joint Stock Company in December 1993. In fact, the enterprise built cities Noyabrsk and Muravlenko, as well as several settlements. *The state-owned shares was originally owned by the state-owned enterprise "Rosneft". Later, according to the decree of the President of RF as of August 28, 1995, AO "Noyabrskneftegaz" was integrated into Siberian Oil Company (NK "Sibneft") in which, besides AO (Stock Company) "Noyabrskneftegaz", several other enterprises are incorporated, including Omskiy NPZ to where a considerable amount of oil is supplied from Noyabrskneftegaz. In five years, OAO "Sibneft" became the fourth in capitalization among oil companies in Russia. This enterprise is superior to other Russian plants in output and technical characteristics, which allows it to output high-quality products. Incorporated into the OAO are oil producing companies TP DN "Muravlenkovskneft" (Director General Yu. Shuliev), TP DN "Sutorminskneft" (N. Nugayev), TP DN "Zapolyarneft"(G. Lyubin), TP DN "Kholmogorneft" (S. Rusakov). Two thirds of the oil is produced "Muravlenkovskneft".*

This is the biggest oil company in the Yamalo-Nenetskiy district accounting for 64% of the total volume of the oil produced. In 2001 about 9500 thousand tons of oil were produced over the period of six months.

The enterprise is the eighth largest in Russia in the volume of stocks confirmed. To date, 52 fields have been discovered on the territory Noyabrskneftegaz, 45 fields have been licensed of which 20 have been in production and 10 are scheduled for operation. The fields contain 212 deposits of hydrocarbon, including 205 oil pools. Current extracted stocks amount to 625.2 million tons in the licensed fields of Noyabrskneftegaz. Geological resources are estimated to range from 3.5 to 6.5 billion tons. Such difference is mostly associated to the use of various methods of appraisal and lack of independent auditor. Enterprise's stock supply is estimated to last from 25 to 33 years. In any case the stock supply exceeds the Russian average figure of 22 years. The quality of oil produced by AO "Noyabrskneftegaz" considerably exceeds the average in Russia but is typical of the enterprises in Western Siberia.

The prospects of development of any oil and gas producer is largely conditioned by the competitive capacity of its field's stock potential. Kholmogorskoye, Karamyshevskoye, Sutorminskoye, Pogranichnoye, Muravlenkovskoye and other fields which used to gain fame for Noyabrskiy region, have entered into the final stage of development. However, over half of the fields of Sibneft-Noyabrskneftegaz have not yet reached the maximum level of oil extraction. Sugumskoye oil field, which is an accounting entity of Noyabrskneftegaz, is estimated by specialists to be one of the most productive in Western Siberia. In 1997, the enterprise began to develop Sporyshevskiy oil field nearby city Noyabrsk. The vicinity of the oil field to the production plant allows acceleration of the development and significant cost cutting. Yaraneiskoye, Romanovskoye and Novogodneye oil fields are being put into production. **Since last year the report goes on expected sale of OAO "Sibneft-Noyabrskneftegaz" to «Sibneft». However, the report has not been justified yet**

OAO "Rosneft-Purneftegaz"

Director General **Baluyev Yuriy Victorovich**. He is an extremely careful person related to the current management of the company headed by **S. Bogdanchikov**, President of «Rosneft».

Joint-Stock Company "Rosneft-Purneftegaz" was set up in 1986. It is one of the major enterprises in the Yamalonenetskiy Autonomy District. "Neftyanaya Kompaniya Rosneft" incorporated into OAO from September 1995 is the basic production enterprise producing over 65% of the total oil produced. To date, it is the second largest employer in the industry accounting for 4% (some 13 thousand people) of those employed in the autonomy district. The enterprise is related to one of the biggest commercial scandals of the mid nineties. Due to inactivity of the former management of the enterprise (President Yu. Besspalov and Chairman of the Board A. Putilov) in 1998 the principal production asset of «Rosneft» was almost sold to a firm called "MES" for an insignificant debt of 10 million USD. This plot was destroyed under the government of Primakov.

At present, «Rosneft» owns 50.6% of shares of "Purneftegas", another 30,7% of shares are nominally held by "Depositary-Clearing Company". Minority shareholders complain that all assets are being withdrawn from OAO "Rosneft-Purneftegaz" to the state-owned company «Rosneft».

This year, since its inception, OAO "Rosneft-Purneftegaz" will produce over 130 million tons of oil, including 9528 thousand tons in 2001.

The enterprise is licensed to develop stocks of 14 fields, which allows one to speak of a reliable raw material reserve and trouble-free production within 70 years. The oil produced amount to 600 million tons. Explored gas reserves amount to 765 billion m³. Reserves have been developed in 7,6%. Daily OAO "Rosneft-Purneftegaz" produces about 8 million tons and about 2 billion m³.

On April 15, 1997, "Rosneft" produced the first 100 million tons of oil. Since 1995, the enterprise has been increasing its production volume. Over 6 months in 2001, OAO "Rosneft-Purneftegaz" produced 4 million 640 thousand 400 tons of oil. Quality characteristic of the oil

produced by AO "Rosneft-Purneftegaz" is quite attractive, which allows it to be competitive at any market: average water content of oil is 25.4% with a very low sulphur content of 0.3%. Basic structural units of OAO "Rosneft-Purneftegaz" are oil and gas enterprises, namely - NG DP – «Tarasovskneft» (fields Tarasovskoye, Severo-Tarasovskoye, Gubinskoye and Ust-Kharampurskoye), «Barsukovneft» (biggest NGDU, Novo-Purpeiskoye, Verkhne-Purpeiskoye, Komsomolskoye, Barsukovskoye, Zapadno-Purpeiskoye, Severno-Komsomolskoye, Vostochno-Yangtingskoye fields), and «Kharampurnrft» (Kharampurskoye, Yuzhno-Kharampurskoye and Festivalnoye fields).

OAO "Purneftegazgeologia".

Director General **Rekin Aleksandr Sergeevich**. It is supposed that the actual owner of the enterprise is **I. Levinson**, vice governor of the Yamalonenetskiy Autonomy District.

Joint Stock Company "Purneftegazgeologia" was set up as geological enterprise with the view to explore oil and gas fields in the Purovskiy region. In 2000, the enterprise celebrated its 35 anniversary.

At present, "Purneftegazgeologia" continues its activity on the territory of 120 thousand kilometers. Over the last few years, 58 fields of hydrocarbons have been discovered, 367 deposits have been explored, of which 172 -- oil pools, 60 -- gas deposits, 62 -- gas, oil and condensate deposits, 22 gas and oil deposits.

The created raw material base is as follows:

- oil – 1.6 billion tons;
- gas condensate – 122.6 billion tons;
- gas – 4.21 trillion cubic meters.

In 1990, the enterprise undertook to set up a company integrating all stages of production ranging from exploration to sales of oil and petroleum products. In 1991, OAO "Purneftegazgeologia", "Rosneft-Purneftegaz" company and American company "Benton" set up joint venture "Geoilbent - Ltd" with the view to develop two fields. Purneftegazgeologia is licensed to develop 3 oil and gas fields and has two licenses to explore hydrocarbons.

OAO "Purneftegazgeologia" has developed two strategic lines. First, exploration and build-up of stocks of hydrocarbons. Second, efficient use of what has been explored. At present, OAO "Purneftegazgeologia" is multi-industry comprehensive company with the activity including exploration, production, processing and sales of hydrocarbons. In order to provide a more effective production management, subsidiaries and a series of affiliated enterprises with a continuous production process have been set up. These enterprises have been steadily increasing oil production. OAO "Purneftegazgeologia" incorporates the management of "Purneft" producing hydrocarbon raw materials on the sites licensed to the company. Thus, the company has successfully invested its capital in a series of companies.

OAO "Yamalgeofizika"

Director General: **Bystritskiy Grigoriy Aleksandrovich**. Principal shareholder of the enterprise. Education: Tyumen Industrial College; major: geophysics, mining engineer. Until 1991, he had a position of the head of Polar geophysics expedition of GGP "Yamalgeofizika" under the State Committee of Geology of the Russian Federation.

He has a scientific degree in geology and mineralogy. He is one of the pioneers of Bovanenkovskoye gas and condensate field. He was awarded a medal of development of oil and gas establishment of Western Siberia and medal of Honor.

In 1999, Bystritskiy became a public and political figure in the framework of political party "Yabloko". In particular, he sent in his name as a candidate against V. Chernomyrdin in #225 single member district. He lost lacking 10% of votes. He experienced a considerable administrative pressure.

He broke off with «Yabloko». He is considered by the SPS (Union of Right-Wing forces) as a perspective leader of the union in the future.

ОАО "Yamalgeofizika" is a 100% private company. It was set up by privatization of the state-owned geological and geophysical enterprise GGP "Yamalgeofizika", which has explored and discovered all fields of oil and gas in the Yamalonenetskiy Autonomy District since 1968. At present, AO "Yamalgeofizika" is the major single-purpose enterprise in Russia which conducts comprehensive geological and geophysical exploration in the North of the Tyumen Region.

Five subsidiaries are incorporated into the enterprise, namely Yamsoveiskiy (Saryi Urengoi settlement), Purovskiy (Tarko-Sale settlement), Tazovskiy, Zapolyarniy (Kamennyi Mys settlement) and Yamalskiy (city Lybytnangi).

AO "Yamalgeofizika" has been exploring oil in the Republic of Paraguay. According to the specialists, 384 million tons of geological recourses are concentrated in the concession part of the enterprise. Sales of oil is assured: one part will be supplied to Paraguay, another part will be supplied to Brasil.

Over the last few years, Yamalgeofizika has strengthened its basic scientific and technical potential, upgraded its field units by supplying an up-to-date equipment enabling them to perform 3D survey on the field. Yamalgeofizika had a constant package of orders from major enterprises, namely AO "Gazprom", administration of the Yamalonenetskiy Autonomy District and Khanty-Mansiyskiy Autonomy District, "Sibneft", "Rosneft", several joint ventures and small joint stock companies. At present, there are no more orders from the districts' administrations. Oddly enough, the enterprise generates its basic income abroad, in Paraguay. Mr. Bystritskiy spends most of his time in Paraguay.

The territory, on which AO "Yamalgeofizika" is operating in Russia, is 1100000 square kilometers. One hundred forty six fields of gas, gas condensate and oil have been discovered, whose geological recourses are being 20 trillion cubic meters of gas and 4 billion tons of oil.

The personnel is about 2000 people.

ОАО "Yamalelektrosvyaz"

Director General: **Kashin Valeriy Ivanovich**. In spite of the fact that «Svyazinvest» is almost a major shareholder, the enterprise is actually controlled by its management. The enterprise is very influential. It managed to stop an attempt to set up a communication holding company of the Ural Federal District initiated by «Svyazinvest».

At present, the enterprise is implementing a program of reconstruction and expansion of telecommunication network embracing all communities of the district.

In 1999, "Yamalelektrosvyaz" celebrated a 5-year anniversary. In recent years, technical upgrade of the communication system in the district became most effective. The installed capacity is about 89 050 numbers, including over 70% of digital ATX. As late as the last year, the volume of investments of "Yamalelektrosvyaz" amounted to 60 million rubles. Concluded were contracts with foreign and domestic firms. A station with the capacity of 10 thousand numbers was put into service by Italian firm "Italtel"; 2000 additional numbers are being prepared for service. German specialists are working in Novyi Urengoi; stations with the capacity of 6480 numbers of "Iskra-UralTel" firm are in operation. An AMTX has been put into service in Salekhard, which has allowed an integrated information space to be created for all operators in basic communities of the district. Now the citizens of a series of settlements – Pangoda, Yagelnyi, etc. – can enjoy the service of automatic communication.

A program of substitution of tropo relay stations for a system of satellite communication has been implemented jointly with NPO "Crosna". A project of satellite long-distance communication line between Moscow and Salekhard. Sixty communication channels integrated into the system of Moscow automatic telephone exchange will be offered to the citizens of the district. District primary outlets and other cities of Russia and the CIS as well as many world's capitals will be connected to the system.

Salekhard, Labytnangakh, Novyi Urengoi, Noyabrsk, Gubninskoye, Tarko-Sale, Tazovskoye and Muzhi have been connected to Internet. Salekhard and Nadym have been connected to Rosnet network. The Tyumen-Salkhard trunk tropo relay communication line has been under construction. A cellular phone system is in service in Novyi Urengoi. An ATX with 1024 numbers has been introduced into service in Krasnoselkupskiy community. A new telephone exchange has been put into operation in Yar-Sale community center connected to the Salekhard telephone exchange with an access to the long distant line. A project of introduction of fiber-optic communication line in the district is under preparation in AO "Yamalelektrosvyaz". It is suggested to allow all forms of telecommunication and radiocommunication services to become accessible to all citizens of the district, including the remotest camping-grounds of reindeer breeders, fishermen and hunters. Ninety two television transmitters and 27 radio transmitters are in service in AO "Yamalelektrosvyaz".

Communication is one of the rapidly developing market sectors. For instance, the majority of the population of Noyabrsk has an access to Internet.

«**Zapsibkombank**». The bank has been operating over 10 years. President **A. Goretskiy**. Basic shareholders of the bank are «Gazprom» structures, as well as the firms related to the former president V. Yakushev (the incumbent vice governor of the Tyumen Region), V. Paliy, former head of «Nizhnevartovskneftegaz», and entrepreneurs brothers Matelskiye. The bank used to be incorporated in Tyumen. However, it had to incorporate in Salekhard after a few incidents initiated by Galina Roketskaya, wife of the former governor of the Tyumen Region. The bank is ranked among the top two hundred major Russian banks in amount of equity and capital.

Economic conflicts

Zapsibgazprom. "Gazprom" is currently making attempts to return through bankruptcy the assets of a "fugitive" affiliate "Zapsibgazprom". The company is basically specialized in construction and operating on the territory of the Tyumen Region and two autonomous districts. The company is also valuable by having license to develop large Yuzhno-Russkoye gas field with gas reserves being 600 million cubic meters.

The total amount of indebtedness of "Zapsibgazprom" due to "Gazprom" is approaching 2.9 billion rubles. The total amount of loan due to repay by the "fugitive" exceeds 6 billion rubles.

As a result of additional emission, "Gazprom's" share in "Zapsibgazprom" decreased from 51% down to 33,9% in August, 2000. "Gazprom" could have retained its controlling interest by paying nothing more than 51.3 million rubles, however, it didn't. The controlling interest was sold to the firms which are in good relationship with the "Zapsibgazprom's" managers, namely "Korporatsiya Port" (16.3%), OOO "ROMB DVR" (14.54%) and OOO "ROMIST" (19%).

In July this year, the Board of Directors of "Gazprom" took a decision to retain the company's original controlling position by increasing its share in its former subsidiary up to 83.7%. It was found out during negotiations that the Tyumen company had long missed the license to develop Yuzho-Russkoye gas field. The license had been obtained by "Severneftegazprom", which is close to "Itera" company.

In 1998, "Zapsibgazprom" handed the Yuzho-Russkoye gas field license to its 100% subsidiary, "Severneftegazprom". In February, 1999, the Tyumen enterprise decreased its share down to 51%, the rest of the shares were divided between OOO "Vega" (20%), OOO "Link" (20%) and OOO "KRiFin" allied with "Itera" (9%). In May 2001, a new emission took place in "Severneftegazprom". As a result, "Zapsibgazprom's" share shrank to 11%, and 40% of shares were held by TNG Power which is controlled by "Itera".

Nikiforov promised that "Gazprom" would increase its share in "Severneftegazprom". However, the deal had fallen through. "Gazprom" got down to decisive actions as it seemed to get impatient waiting till Nikiforov would live up to his promise. Nikiforov resigned. N. Belousov,

former first vice governor in the Roketskiy administration (he was known as a functionary being close to «Interros»), was named for the directorship of «Zapsibgazprom».

Purgaz. ZAO "Purgaz", principal gas production asset of «Itera» group, was set up by company "ITERA-Rus" (49%) and Gazprom's subsidiary "Noyabrskgazodobycha" (51%) which later sold 32% of shares to "Itera", in particular, ITERA International Energy L.L.C. (President I. Makarov).

It was found, after a new management came in «Gazprom», that "Purgaz" was a disputable asset. Back in early summer, auditors of PricewaterhouseCoopers found out that till the end of 2001 "Gazprom" could buy back 32% shares of "Purgaza" at 32 000 rubles by paying 3.4 billion rubles to "Itera" as compensation for its investment (according to "Gazprom" estimates). In July, the Board of Directors "Gazprom" was assigned to study profitability of buying back the former subsidiary. In December, 2001, the Board of Directors of «Gazprom» decided to buy. Though the deal will cost 5.7 billion rubles, «Gazprom» will get hold of the field with gas reserves amounting to 15 billion cubic meters annually.

In late September, without waiting for "Gazprom" decision, group "ESN" (G. Beriozkin, former owner of «KomiTek» and owner of management company «Kolenergo») granted a four-month loan to "Itera" against "Purgaz" shares. In addition, the parties agreed that the following year the short loan would become a part of a year-long loan of 150 million USD with "Purgaz" controlling interest being as collateral. "ESN" even undertook to provide the amount in the case no investors would be found.

To be going on, "ESN" extended 50 billion USD to its partner against 32% shares of "Purgaz", principal gas production company of "Itera".

Thus, we can become witnesses of a serious commercial and legal conflict, in which «Itera» has poor chances to win as it has lost its friends at court.

«Rospan». ZAO "Rospan" was set up in 1995 with the view to develop Novo-Urengoiskiy and Vostochno-Urengoiskiy gas fields in the Yamalonenetskiy Autonomy District; its reserves amount to 560 billion cubic meters of gas and 96 million tons of gas condensate. The controlling interest of the enterprise was purchased by "Itera" from "Gazprom" in late 1998, when an external management was already in force at "Rospan" as part of the bankruptcy. Bankruptcy proceeding is currently enforced at the enterprise, and over 98% of its moratorium accounts payable (about 3 billion rubles) is controlled by TNK and "Itera". In 2000, "Rospan" produced over 1 billion cubic meters of gas and 345 000 tons of condensate. OOO "Itera Holding ", ZAO "CTI-Sigma" and OOO "Lanka-Promkomplekt" are principal shareholders which are closely related to the companies within «Itera» group.

Early this year, other shareholders of "Rospan" were "Intergeo" (26%) , "Rosgeo" (7.5%) , "Urengoineftegasgeologia" (7.5%) and "Purneftegazgeologia" (7.5%).

By using friendly courts in the Khanty-Mansiyskiy Autonomy District, TNK managed to put a big portion of «Itera's» accounts payable under arrest. TNK also managed under formal pretence to reject repayment, which «Itera» intended to wiretransfer to the creditors.

Administrator in bankruptcy of «Rospan» is M. Rubtsov assigned as early as 1999 (principal part of liability at the moment was owned by the structures closely related to «Surgutneftegaz»). However, new owner, TNK, appeared by purchasing liability from «Surgutneftegaz».

In October 2001, the parties agreed on that the two companies would set up a joint venture based upon "Rospan's" assets, in which TNK would hold 44% of shares and "Itera", 56%.

However, the agreement didn't seem to prevent "Itera" from continuing negotiations with "YUKOS" behind its partner's back. As early as in November, it put forward a proposal to assign Aleksei Trofimov as administrator in bankruptcy of "Rospan", who is known to maintain friendly relationship with the company headed by Khodorkovskiy. In December, Igor Makarov,

President of "Itera", notified TNK that he had pledged 75% of "Rospan" shares to "YUKOS" along with his share of accounts payable. In exchange of this, "YUKOS" underwrote year-long loans in the amount of 150 million USD for "Itera". They say that prior to that "Itera" was ready to pledge its "Rospan" share to TNK under the same conditions. However, the companies failed to agree on the cost.

In early February of 2002, YUKOS succeeded in saving the company from bankruptcy.

"Sibneftegaz". "Sibneftegaz" is "Itera's" subsidiary. It is one of the principal gas production companies which "Itera" purchased from "Gazprom". As a result of "Sibneftegaz's" shares emission in spring 1999, "Gazprom's" share shrank from 40% to 21% in favor of companies of the companies related to "Itera". Along with the shares "Itera" received licenses of three fields located in the Yamalonenetskiy Autonomy District, namely Pyreinoe, Zapadno-Zapolyarnoie and Beregovoye. The latter is estimated to contain 200 billion cubic meters of gas.

Approximately 40 million USD will be invested in oil, gas and condensate field Beregovoye. An investment program of 101 million USD was approved recently for this field; 38 million USD were allocated by "Itera" itself, it was decided to borrow the remainder, according to a representative of the company. It was the second time in October 2001 that the corporation borrowed from Bank of Moscow. On October 10, the bank opened a credit line of 50 million USD for "Itera".

It should be noted, however, that the latest loan of 40 million USD was extended by Bank of Moscow against "Itera's" luxurious premises located in Sevastopolskiy Prospect. The company claims that it needs money to implement production projects. The loan, however, is short – six months – and the interest rate is high, 15%. Possibly, "Itera" has borrowed money to actually repay the debt due to "Gazprom". Accounting Chamber auditor Mikhail Beskhmel'nitsyn, who headed the audit of relationship between "Itera" and "Gazprom", claimed that "Itera" needed money in order to repay a part of the debt due to "Gazprom" for transportation of gas. Over 1999 and 2000, the debt reached 250 million USD. In accordance with the report made by the Accounting Chamber, total amount of liability of the companies incorporated into "Itera" group due to OAO "Gazprom" as of December 31, 2000 amounted to 250.9 million and 6.4 billion rubles. The liability of "Gazprom" to "Itera" is only 34.8 million USD. The Accounting Chamber claimed in conclusion that "Gazprom", by allowing "Itera" to build up such a significant amount of indebtedness, withdrew active assets accounting for 13% of its total core investments over the last two years. By the way, among other companies incorporated into "Itera" group, Itera International Energy L.L.C., which underwrote Bank of Moscow's loan, has the biggest liability to "Gazprom" in the amount of 84 million USD.

Регион	Код	for_dirinv	dummy_rei	
Adygeya republic	Р. Адыгея	1	3,7149	0
Bashkortostan republic	Р. Башкортостан	2	7,89	1
Buryatia republic	Р. Бурятия	3	2,4126	0
Altai republic	Р. Алтай	4	0	0
Dagestan republic	Р. Дагестан	5	3,9614	0
Kabardino-Balkaria republic	Кабардино-Балкарская Р.	7	1,2487	0
Kalmykia republic	Р. Калмыкия	8	0	0
Karachaevo-Cherkessia republ	Карачаево-Черкесская Р.	9	7,3034	0
Karelia republic	Р. Карелия	10	20,4034	0
Komi republic	Р. Коми	11	82,5295	1
Mariy-El republic	Р. Марий Эл	12	1,8379	0
Mordovskaya republic	Р. Мордовия	13	7,3757	0
Yakutia	Р. Саха (Якутия)	14	19,392	1
Northern Osetia - Alania rep	Р. Северная Осетия-Алания	15	0	0
Tatarstan republic	Р. Татарстан	16	12,5142	1
Tuva republic	Р. Тыва	17	6,4791	0
Udmurtia republic	Удмуртская Р.	18	6,5664	0
Khakassia republic	Р. Хакасия	19	0,3941	0
Chuvashia republic	Чувашская Р.	21	4,1385	0
Altayskiy krai	Алтайский край	22	29,6917	0
Krasnodarskiy krai	Краснодарский край	23	135,4314	0
Krasnoyarskiy krai	Красноярский край	24	15,59	1
Primorskiy krai	Приморский край	25	88,4706	0
Stavropolskiy krai	Ставропольский край	26	28,2928	0
Khabarovskiy krai	Хабаровский край	27	84,9868	0
Amurskaya oblast	Амурская обл.	28	3,993	0
Arhangelskaya oblast	Архангельская обл.	29	20,3904	0
Astrahanskaya oblast	Астраханская обл.	30	20,0195	0
Belgorodskaya oblast	Белгородская обл.	31	9,006	0
Bryanskaya oblast	Брянская обл.	32	4,8517	0
Vladimirskaaya oblast	Владимирская обл.	33	64,5165	0
Volgogradskaya oblast	Волгоградская обл.	34	67,8674	0
Vologodskaya oblast	Вологодская обл.	35	19,5211	0
Voronezhskaya oblast	Воронежская обл.	36	15,2416	0
Ivanovskaya oblast	Ивановская обл.	37	4,2013	0
Irkutskaya oblast	Иркутская обл.	38	29,0862	0
Kaliningradskaya oblast	Калининградская обл.	39	47,8746	0
Kaluzhskaya oblast*	Калужская обл.	40	147,1129	0
Kamchatskaya oblast	Камчатская обл.	41	28,6997	0
Kemerovskaya oblast	Кемеровская обл.	42	1,7888	0
Kirovskaya oblast	Кировская обл.	43	0,9371	0
Kostromskaya oblast	Костромская обл.	44	4,9033	0
Kurganskaya oblast	Курганская обл.	45	0,9152	0
Kurskaya oblast	Курская обл.	46	20,6664	0
Leningradskaya oblast	Ленинградская обл.	47	266,4444	0
Lipetskaya oblast	Липецкая обл.	48	19,9508	0
Magadanskaya oblast	Магаданская обл.	49	783,2575	1
Moscovskaya oblast	Московская обл.	50	232,2559	0
Murmanskaya oblast	Мурманская обл.	51	15,4852	0
Nizhegorodskaya oblast	Нижегородская обл.	52	15,713	0
Novgorodskaya oblast	Новгородская обл.	53	191,7846	0
Novosibirskaya oblast	Новосибирская обл.	54	131,7828	0
Omskaya oblast	Омская обл.	55	38,3546	0

Orenburgskaya oblast	Оренбургская обл.	56	49,1929	0
Orlovskaya oblast	Орловская обл.	57	19,1224	0
Penzenskaya oblast	Пензенская обл.	58	3,6218	0
Permskaya oblast	Пермская обл.	59	22,704	1
Pskovskaya oblast	Псковская обл.	60	16,0886	0
Rostovskaya oblast	Ростовская обл.	61	12,0966	0
Ryazanskaya oblast	Рязанская обл.	62	13,2874	0
Samarskaya oblast	Самарская обл.	63	109,185	0
Saratovskaya oblast	Саратовская обл.	64	11,0701	0
Sahalinskaya oblast	Сахалинская обл.	65	2084,039	1
Sverdlovskaya oblast	Свердловская обл.	66	60,5317	0
Smolenskaya oblast	Смоленская обл.	67	4,376	0
Tambovskaya oblast	Тамбовская обл.	68	2,7683	0
Tverskaya oblast	Тверская обл.	69	4,2878	0
Tomskaya oblast	Томская обл.	70	5,1359	0
Tulskaya oblast	Тульская обл.	71	52,3127	0
Tyumenskaya oblast	Тюменская обл.	72	91,2065	1
Ulyanovskaya oblast	Ульяновская обл.	73	1,8787	0
Chelyabinskaya oblast	Челябинская обл.	74	48,207	0
Chitinskaya oblast	Читинская обл.	75	0,7387	0
Yaroslavskaya oblast	Ярославская обл.	76	18,7242	0
Moscow	г. Москва	77	780,9812	0
St.Petersburg	г. Санкт-Петербург	78	169,2109	0

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0	26726	4412	39	4375	0,4833	0,1737	0,7506	0,3229
0	23002	5580	38	4319	0,5647	0,0804	0,0206	0,6473
0	17681	3321	49	4011	0,8628	0,0995	1,9217	0,742
0	37561	4375	61	5852	0,961	0,0537	1,078	0,0098
0	16705	4585	89	4291	0,0554	0,0135	0,3183	0,0707
0	12626	2646	35	3704	0,101	0,0417	0,2348	0,1679
0	16139	3072	46	3494	0,9399	0,3006	1,2215	0,5348
0	21839	3926	43	4339	0,3379	0,131	0,7172	0,2966
1	36162	5347	47	5463	1,5287	0,1214	0,53	0,9648
0	29956	5423	49	4625	0,9313	0,111	1,1304	1,0643
0	23188	4571	52	4831	1,1436	0,1818	0,6285	1,0685
0	18407	5481	52	7244	0,408	0,0484	0,4876	0,4995
0	17707	3277	52	4337	0,5783	0,1372	0,7083	0,6059
0	16024	2935	26	3179	0,1395	0,0282	0,4228	0,1499
0	22413	5294	46	5244	0,5777	0,0892	1,0283	0,5234
0	7717	1039	13	1429	0,1833	0,0354	5,4823	0,373
0	42682	8936	78	8321	1,0092	0,1457	0,9786	0,8585
0	41136	7914	81	10497	0,5938	0,1033	1,0688	0,4991
0	27856	5423	51	5782	0,0169	0,0007	0,538	0,3066
0	31851	6525	69	6602	1,2205	0,2763	1,0204	1,0207
0	32544	5205	51	5597	0,3268	0,0632	0,5759	0,284
0	34123	6751	85	8809	0,4498	0,0566	1,4893	0,4225
1	44112	6678	55	7354	0,4103	0,1109	0,7125	0,3703
0	23709	4743	65	6342	0,4935	0,0873	0,469	0,5347
0	50922	9324	93	8975	0,2912	0,0395	3,7931	0,2754
0	21968	2878	33	3451	0,5467	0,0905	0,9185	0,5169
0	21438	4644	38	4659	0,7267	0,0897	0,6473	0,5904
0	35742	5487	44	5457	1,0781	0,1309	1,0469	1,1201
0	23113	4194	56	4242	0,2244	0,024	0,6974	0,2091
0	22384	4449	40	4380	0,1358	0,0097	0,474	0,0936
0	30764	5233	49	5571	0,3648	0,0615	0,2728	0,3418
0	24795	3683	61	3583	0,3962	0,0956	0,5993	0,4089
0	63444	10952	80	11864	1,1488	0,1503	0,6752	1,2387
0	43473	9271	102	10659	0,2009	0,0415	0,3554	0,1911
0	29460	5099	70	6558	0,293	0,0123	0,7308	0,3543
0	30349	6731	54	5626	0,3956	0,1219	3,8886	0,4578
1	51528	9819	112	10341	0,8177	0,0801	0,9515	0,9905
0	50509	7329	72	7315	0,8686	0,0897	0,42	0,6892
0	37598	3967	49	4683	0,3211	0,0548	0,9582	0,4413
0	34382	6347	54	5766	0,6773	0,1142	0,7616	0,5896
0	24984	5647	48	5036	0,8949	0,0887	0,3468	0,9924
0	24046	3494	40	4196	1,084	0,1425	0,5662	0,9631
0	20237	4422	48	4203	1,0191	0,1267	1,051	0,9881
0	18541	3691	33	4175	0,4065	0,0441	1,0061	0,3518
0	71266	11824	112	11556	0,8554	0,1852	0,8202	0,7276
1	25323	5131	56	5474	0,4734	0,05	0,5895	0,4258
0	67382	5925	60	6151	1,1073	0,2661	1,794	0,8412
1	35601	8544	77	9255	0,2871	0,0399	0,5048	0,2742
0	26653	4781	45	4617	0,9207	0,1099	0,3815	0,7538
0	46419	9895	131	9196	0,1722	0,0241	0,7291	0,1692
0	39095	5239	47	5331	0,9835	0,096	0,465	1,0343
0	43112	6145	58	6488	0,6101	0,145	0,644	0,4606
0	47758	9627	94	9664	0,111	0,0046	0,5853	0,1516

0	52023	8654	85	8945	0,2046	0,0369	0,9002	0,1987
0	25362	5758	55	5758	0,7508	0,089	0,5751	0,4349
0	44285	8110	76	9246	0,2959	0,0163	0,4827	0,2188
0	21308	4088	62	4185	1,3729	0,1864	0,8692	1,1443
0	37079	6319	54	5277	1,0449	0,0924	0,5968	0,7191
0	37448	7797	98	8662	0,4543	0,0711	0,4787	0,3887
0	49143	8292	55	8121	0,2383	0,0444	0,4642	0,1931
0	50015	8448	88	8724	0,7182	0,0922	0,5705	0,7179
0	29462	6423	67	6021	0,1991	0,0295	0,7976	0,2312
0	49164	6049	60	6214	0,3194	0,0318	1,0201	0,3545
0	31613	6591	64	6632	0,2875	0,0943	1,5067	0,5089
0	24360	4360	46	4502	0,4669	0,0662	0,5455	0,4987
0	20725	4962	43	5075	0,684	0,108	0,6612	0,405
0	34145	5443	50	5592	0,3995	0,0506	0,7609	0,3002
0	35520	6285	68	6153	1,1453	0,2315	0,8735	1,2212
0	31271	5498	85	5428	0,2532	0,0286	0,6174	0,1581
0	37193	4103	44	4209	0,2614	0,0466	0,57	0,2425
0	21662	4711	50	5141	0,455	0,0198	0,9503	0,3406
0	40114	8514	67	7728	0,6329	0,0953	0,677	0,4831
0	21287	6009	73	7915	0,3956	0,0747	1,7196	0,4988
0	38685	5565	63	6256	0,6266	0,0884	0,587	0,6782
1	167605	10448	95	10147	0,1514	0,0125	0,3506	0,179
1	133575	12783	126	12793	0,653	0,1116	0,4798	0,7691

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0,0935	0,8129	0,8062	0,7706	0,7639	0,6637	0,1693	4,0089	0
0,0891	0,3031	0,0692	0,0564	0,0933	0,07	0,0049	0,4129	0
0,115	2,5923	0,0435	0,0309	0,0647	0,0415	0,0222	2,6087	0
0,0098	1,2927	0,0732	0,0634	0,0488	0,0244	0,0146	0,9756	0
0,0326	0,3006	0,0568	0,0517	0,0419	0,034	0,0181	2,2801	0
0,0758	0,1376	0,2765	0,2437	0,3624	0,279	0	1,1364	1
0,1392	1,1962	0,0823	0,0823	0,8766	0,8354	0,1044	1,2658	0
0,0943	0,4529	0,0644	0,0437	0,0805	0,0667	0,023	1,8391	0
0,0509	0,3499	0,7076	0,6292	0,607	0,5026	0,0131	2,0888	0
0,0617	0,9894	0,1621	0,1137	0,5498	0,4273	0,0106	2,2907	1
0,1779	0,4638	0,0659	0,0461	0,0764	0,054	0,0092	0,9223	0
0,0667	0,3079	0,0775	0,0614	0,1012	0,0753	0,0291	1,3994	0
0,1361	0,5589	0,0931	0,0645	0,0788	0,0502	0,0256	1,3306	0
0,0341	0,3353	0,2404	0,181	0,2344	0,1602	0,0015	0,1484	0
0,0828	0,851	0,0979	0,0855	0,1326	0,1101	0,0021	0,3969	0
0,0836	4,8714	0,0032	0,0032	0,0032	0,0032	0,0032	0,6431	0
0,0992	0,793	0,0441	0,03	0,0955	0,0753	0,0086	0,5511	0
0,0981	1,2857	0,1136	0,0912	0,0947	0,0585	0,0017	6,1962	0
0,0346	0,4267	0,073	0,0516	0,0678	0,0398	0,0022	0,4422	0
0,2005	1,0863	0,0603	0,0392	0,1048	0,0776	0,0098	2,337	0
0,0495	0,3994	0,3406	0,2649	0,4117	0,3136	0,0172	1,2433	0
0,0563	1,255	0,132	0,1004	0,1178	0,0823	0,0141	1,5795	0
0,1095	0,5382	0,3832	0,328	0,4085	0,3238	0,0161	1,6099	0
0,0933	0,3579	0,2791	0,22	0,2274	0,1702	0,0085	0,7061	0
0,0408	3,274	0,1838	0,1258	0,2273	0,1574	0,0191	1,7128	0
0,0924	0,6789	0,2535	0,2217	0,175	0,1113	0,006	0,5964	0
0,0815	0,5247	0,0925	0,0644	0,1445	0,0904	0,0267	1,6438	0
0,123	1,084	0,1211	0,084	0,1123	0,0791	0,0029	0,9766	0
0,0267	0,5224	0,1329	0,0995	0,165	0,1249	0,0321	0,8016	0
0,0118	0,2904	2,745	2,7096	0,7838	0,7277	0,0042	1,1088	0
0,0615	0,2082	0,1349	0,1063	0,1759	0,128	0,0056	0,7458	0
0,0728	0,5896	0,5751	0,54	0,3275	0,2629	0,0489	5,4518	0
0,145	0,5846	0,1767	0,1473	0,2591	0,2213	0,0204	1,1329	0
0,0309	0,2717	0,4294	0,3941	15,1098	14,7361	0,0102	0,61	0
0,027	0,6653	0,0998	0,0835	0,1244	0,099	0,0074	0,982	0
0,1208	4,0721	0,0953	0,0651	0,052	0,0313	0,0084	0,7278	0
0,0706	0,784	0,4552	0,373	0,5016	0,3983	0,02	1,0537	0
0,074	0,3996	0,2701	0,2146	0,5106	0,4662	0,0139	1,2026	0
0,0731	0,8486	0,0731	0,0522	0,1149	0,0914	0,0313	3,9164	0
0,1004	0,5487	0,1322	0,0907	0,1175	0,0783	0,0221	1,4061	0
0,0799	0,2461	0,0913	0,0623	0,0812	0,0516	0,0057	1,3216	0
0,1158	0,5471	0,0649	0,0458	0,1463	0,1069	0,0051	0,6361	0
0,1149	0,959	0,0729	0,0638	0,051	0,0346	0,0164	4,1021	0
0,041	0,9134	0,3495	0,2903	0,2409	0,1816	0,0061	0,4559	0
0,1033	0,8321	1,1571	1,1153	0,2861	0,1786	0,0125	1,0753	0
0,0323	0,4419	0,204	0,154	0,1565	0,1089	0,0008	0,4032	0
0,1245	1,6953	0,2403	0,1717	0,8541	0,4678	0,0258	0,4292	0
0,0453	0,4112	0,1752	0,1338	0,2777	0,2124	0,0101	0,6604	0
0,0804	0,4049	0,1587	0,118	0,1994	0,1607	0,0061	1,4242	0
0,02	0,678	0,0563	0,041	0,0779	0,0484	0,0046	1,6402	0
0,0823	0,3951	0,3402	0,2977	0,4115	0,3251	0,0041	0	0
0,1006	0,6035	0,4366	0,3892	0,4253	0,3284	0,0084	0,4738	0
0,0139	0,4873	0,0666	0,0448	0,0698	0,0439	0,0162	1,2945	0

0,0351	0,7846	0,0998	0,0715	0,1906	0,1551	0,0081	0,6745	0
0,059	0,5606	0,1446	0,1079	0,6485	0,5306	0,0089	0,2225	0
0,0216	0,3945	0,1378	0,0934	0,1633	0,1143	0,0091	0,8491	0
0,1561	0,8247	0,0732	0,0523	0,1025	0,0745	0,0081	0,5732	0
0,0437	0,618	0,2846	0,2472	0,2409	0,1973	0,0312	1,623	0
0,0688	0,4309	0,195	0,1586	0,5801	0,4927	0,0067	0,9408	0
0,0366	0,2788	0,155	0,1129	0,1036	0,0748	0,0062	0,3115	0
0,0916	0,5111	0,1811	0,135	0,2806	0,1328	0,0079	0,9099	0
0,031	0,6261	0,1331	0,1055	0,1626	0,1136	0,0052	0,4794	0
0,0435	0,7157	0,2157	0,1288	0,4632	0,1957	0,01	1,505	0
0,0804	1,6234	0,065	0,039	0,1173	0,0726	0,0074	0,3903	0
0,0733	0,4907	0,5658	0,5375	0,3733	0,3027	0,0053	0,5296	0
0,0946	0,6399	0,1103	0,0827	0,1757	0,1379	0,0221	1,6548	0
0,0418	0,6841	0,4488	0,4001	0,176	0,1136	0,0125	1,3733	0
0,2109	0,5764	0,0862	0,0553	0,1097	0,0572	0,0094	0,8435	0
0,0178	0,4576	0,1369	0,1123	0,1409	0,0962	0,0074	0,5727	0
0,0425	0,4784	0,0801	0,0515	0,0916	0,0599	0,0053	0,2794	0
0,0109	0,7602	0,1124	0,0879	0,1274	0,094	0,0068	0,4087	0
0,0689	0,5547	0,1016	0,0738	0,1024	0,0741	0,0079	2,2331	1
0,1326	1,5806	0,054	0,0461	0,1072	0,0691	0,0111	1,112	0
0,0778	0,6103	0,1315	0,0962	0,181	0,1414	0,0057	0,8487	0
0,0063	0,2756	0,2125	0,1681	0,3171	0,2148	0,0023	0,0695	0
0,0984	0,5285	0,2676	0,1679	0,3044	0,1685	0,0013	0,213	0

frepr_dm2 COURTDE|COURTDE|HROpr HROactCou HRO_net EI99right EI99extrem EI99confrm

0	0	0	-1	-1	-1	4,04	51,39	38,75
0	0	0	1	0	0	5,56	36,68	47,77
0	1	0	1	0	1	6,12	31,02	56,25
0	0	0	1	-1	-1	8,48	39,74	43,39
0	1	0	1	-1	-1	1,24	39,15	58,2
0	0	0	1	-1	-1	1,33	27,45	67,98
0	0	0	1	-1	-1	3,93	35,64	52,67
0	0	0	-1	-1	-1	3,25	51,29	39,43
0	0	0	1	-1	1	10,36	25,43	55,29
1	0	0	1	0	1	10,05	27,59	53,44
0	1	0	1	0	0	7,4	43,88	39,63
0	0	0	1	0	-1	2,71	38,68	52,73
0	0	0	1	0	-1	8,24	36,12	46,15
0	0	0	1	-1	-1	2,17	52,76	40,3
0	0	0	1	0	1	5,25	25,28	62,6
0	0	0	1	0	0	1,73	13,56	78,13
0	0	0	1	0	1	7,07	32,84	51,38
0	0	0	1	-1	-1	9,9	37,5	44,08
0	0	0	1	0	-1	6,73	47,42	37,18
0	1	0	1	0	1	6,92	48,51	37,93
0	0	0	1	0	1	6,19	46,87	41,16
0	0	0	1	0	1	8,54	37,66	43,02
0	1	0	1	-1	0	6,45	38,46	46,35
0	1	0	1	0	1	5,8	42,64	44,48
0	1	1	1	0	1	9,15	35,17	46,58
0	0	0	1	-1	-1	4,64	40,59	47,24
0	0	0	1	0	1	10,91	29,27	48,82
0	0	0	1	0	1	5,56	40,12	47,37
0	0	0	1	0	1	5,06	39,19	47,25
0	0	0	1	0	0	5,1	51,85	35,62
0	1	0	1	0	1	8,8	36,34	46,11
0	0	0	1	0	-1	8,57	41	43,9
0	0	0	1	0	0	9,45	28,67	51,19
0	0	0	1	1	1	5,13	43,1	45,16
0	0	0	1	1	-1	7,48	37,8	45,92
0	0	0	1	0	0	7,21	35,42	49,99
0	0	0	1	0	0	8,41	31,75	52,55
0	0	0	1	1	1	7,76	39,7	45,21
0	0	0	1	-1	-1	9,75	33,39	47,66
0	1	0	1	-1	0	7,78	38,66	46,38
0	1	0	1	0	0	7,32	34,36	49,13
0	1	0	1	0	0	6,88	34,24	51,26
0	0	0	1	0	-1	7,19	43,82	41,71
0	1	0	1	0	1	4,05	43,98	44,58
0	0	0	1	0	0	8,6	28	56
0	0	0	1	0	0	5,82	51,05	35,47
0	0	0	1	-1	-1	6,7	33,69	53,64
0	0	0	1	0	1	8,36	30,38	52,06
0	0	0	1	0	1	9,72	27,78	54,96
0	0	0	1	1	1	16,66	36,74	36,61
0	0	0	1	0	0	7,19	31,33	54,63
0	0	0	1	0	1	9,6	42,04	40,25
0	0	0	1	0	0	8,11	42,97	41,17

0	1	1	1	-1	-1	6,7	42,97	42,6
0	0	0	1	0	0	5,45	51,97	35,88
0	0	0	1	0	1	5,29	41,43	47,03
0	0	0	1	1	1	15,44	27,4	45,77
0	0	0	1	0	0	5,14	36,19	51,29
0	0	0	1	1	1	6,07	38,72	49,26
0	0	0	1	0	1	6,51	41,34	45
0	0	0	1	0	1	22,26	36,69	33,27
0	1	1	1	0	0	7,17	41,59	43,81
0	0	0	0	-1	-1	9,22	38,98	42,56
0	1	0	1	0	1	12,73	29,26	48,73
0	0	0	1	-1	-1	6,72	44,26	42
0	0	0	1	0	0	4,51	47,8	39,29
0	0	0	1	0	-1	8,93	35,52	47,61
0	1	1	1	1	1	11,7	28,78	50,23
0	1	0	1	-1	0	9,23	39,73	42,57
0	1	0	1	1	1	7,56	39,44	44,32
0	0	0	1	-1	-1	7,22	45	40,85
1	0	0	1	1	1	11,78	34,25	45,42
0	1	0	0	-1	0	4,23	47,82	40,5
0	0	0	1	0	0	10,37	30,49	50,29
0	1	1	1	1	1	11,6	20	61
0	0	0	1	1	1	17,5	25	51,5

opp_smi opp_smi_lo foreign_shar for_retrans cap_net&fo SMIRAT99 SMIRAT00 BARR99 BARR01

0	0	-1	0	0	280	290	1	1
1	0	-1	0	0	101	260	1	0
0	0	-1	0	0	448	388	0	0
0	0	0	0	0	163	208	0	0
1	1	-1	-1	0	236	263	0	1
0	-1	-1	-1	-1	221	196	0	0
1	-1	-1	-1	-1	181	219	1	1
1	1	0	0	-1	186	146	0	0
1	1	0	0	0	356	368	0	0
1	1	0	0	-1	361	341	0	0
1	1	0	-1	-1	183	193	0	0
1	0	0	0	-1	306	263	1	1
0	-1	-1	0	-1	137	208	0	0
0	0	0	0	0	218	220	0	0
1	1	-1	-1	0	394	346	1	1
0	0	-1	-1	-1	203	210	0	0
1	1	0	0	0	374	204	0	0
1	1	0	0	0	321	329	0	0
1	0	-1	-1	0	254	277	0	0
0	0	-1	-1	0	374	356	1	0
1	1	-1	-1	0	384	394	1	1
1	1	0	0	0	344	360	0	1
0	-1	-1	-1	1	368	343	0	0
1	1	0	0	0	416	410	0	0
1	1	0	0	0	274	275	1	0
0	0	0	-1	0	401	384	0	0
0	0	-1	-1	0	367	367	0	0
0	0	-1	-1	1	389	345	1	0
1	1	-1	-1	0	267	338	0	0
1	1	-1	-1	0	360	384	1	0
1	1	0	0	0	482	493	0	0
1	1	0	0	0	296	281	0	0
1	1	0	0	0	478	491	0	0
1	1	0	0	0	373	383	1	1
0	0	0	0	0	477	443	0	0
1	0	0	0	0	476	445	0	0
0	0	0	0	0	465	405	0	0
1	1	0	0	0	451	463	0	0
0	0	0	0	0	395	388	0	0
1	1	0	0	0	336	356	0	0
1	1	-1	-1	0	263	270	1	0
0	0	-1	-1	0	316	322	0	0
1	0	-1	0	0	251	285	0	0
1	1	0	0	0	253	287	1	0
1	0	-1	1	1	419	424	0	0
0	0	-1	-1	0	302	318	1	0
-1	-1	-1	0	0	145	191	0	0
1	0	-1	1	1	393	413	0	0
0	0	-1	0	1	380	392	1	0
1	1	0	0	1	324	308	0	0
0	0	0	0	0	403	380	0	0
1	1	0	0	0	386	431	0	0
1	1	0	0	1	338	307	0	0

1	1	0	0	0	385	464	0	0
0	-1	-1	-1	0	319	322	1	1
1	1	0	0	0	291	314	0	0
1	1	0	0	0	321	357	0	0
1	1	0	0	0	247	290	0	0
1	1	0	0	0	352	376	1	1
1	1	0	0	0	312	315	0	0
1	1	0	0	0	314	331	0	0
1	1	0	0	0	384	374	0	0
0	0	0	0	0	412	417	0	0
1	1	0	0	0	420	473	0	0
1	1	0	0	0	388	371	1	1
1	1	0	0	0	370	398	0	0
1	1	0	0	0	436	441	0	0
1	1	0	0	1	450	418	0	0
1	1	0	0	0	338	354	0	0
1	1	0	0	0	405	383	0	0
0	0	0	0	0	220	400	0	0
1	1	0	0	0	246	291	0	0
1	1	0	0	0	274	288	1	1
1	0	0	0	0	478	448	0	0
1	1	1	1	1	631	629	0	0
1	1	1	1	1	505	502	0	0

BANKR_EC Confl01

	FIXPRICE	SOGLPRIC	OGRPRICE	LAW5	
1900	1	0	0	0	0
67	1	0	0	1	0
1500	1	0	0	1	0
100	1	0	0	0	0
700	1	0	0	1	0
1300	0	0	0	1	0
1900	-1	0	1	1	0
1800	1	0	0	1	0
1200	1	0	0	0	0
550	1	0	0	1	0
600	1	0	0	0	0
100	0	0	0	0	0
700	-1	0	1	1	0
100	1	0	0	1	0
600	-1	0	1	1	1
800	1	0	0	1	0
500	0	0	0	0	0
500	1	0	0	1	0
2200	0	0	0	0	0
450	1	0	0	0	0
371	1	0	0	1	0
333	1	0	0	1	0
467	1	0	0	1	1
1825	1	0	0	1	0
450	-1	0	0	1	0
700	1	0	0	1	0
1750	1	0	0	0	0
1100	-1	0	0	1	0
250	1	0	0	1	1
800	1	0	0	1	0
800	0	0	0	1	0
1050	1	0	0	1	0
1550	1	0	1	0	0
250	1	1	0	1	0
1000	0	0	0	1	0
1100	1	0	0	1	0
500	-1	0	0	1	0
850	0	0	0	1	0
600	-1	0	0	0	0
1075	1	0	0	1	0
1800	0	0	0	1	0
400	1	0	0	1	0
1300	1	0	0	0	0
567	1	1	0	1	1
767	1	0	0	0	0
400	0	0	0	1	0
0	1	0	0	1	0
682	0	0	0	0	0
200	0	1	0	1	0
900	0	0	0	1	0
200	0	0	0	1	0
625	1	0	0	1	0
733	1	0	0	1	0

433	1	0	1	1	0
1300	0	0	0	1	0
1150	1	0	0	1	1
240	0	0	0	0	0
200	1	0	0	1	0
743	1	0	0	1	0
350	1	0	1	1	0
1560	0	0	0	0	0
1225	1	0	0	1	0
2400	1	0	0	0	0
486	1	0	0	0	0
350	1	0	0	1	0
2050	1	0	1	1	0
300	1	0	0	1	0
1100	0	0	0	1	0
100	1	0	0	1	0
183	1	0	0	1	0
1050	1	0	1	1	0
460	1	0	0	1	0
1000	0	0	0	0	0
450	0	0	0	1	0
413	-1	0	0	0	0
413	1	0	0	0	0