



features

10 July 2000

in focus

join TOL

features

about us

opinions

newsstand

media

jobs

books

archive

week
in reviewcountry
filesin their
own wordsletters to
the editor

Search TOL

GO!

Recent

Features:

Anchoring a Free Press
by *Jeremy Druker*
10 July 2000
In a one-on-one
interview with TOL,
Russia's best-known
news anchor discusses
the future of the free
press.

The Road Less
Traveled
by *Sarah Hurst*
10 July 2000
The distance between
Stepanakert and Baku
is greater than the map
would indicate.

Building Borders
by *Shukhrat Kurramov*
26 June 2000
Security threats prompt
an end to transparent
borders.

Shattered Stability
by *Shukhrat Khurramov*
26 June 2000

Not So Quiet on the
Uzbek-Krygyz Front
by *Alisher Khamidov*
26 June 2000

Rebels and Refugees:
Central Asian Dilemma
by *Alisher Khamidov*
26 June 2000
The rebels are gone
and many refugees
have returned to their
mountain villages in
southern Kyrgyzstan—
but they live in fear of
another guerrilla
incursion.

Turning Toward
Russia—Again
by *Alisher Khamidov*
26 June 2000

No More Hiding From
the State
by *Matthew
Brunwasser*
26 June 2000
A Bulgarian village
makes amends with its

Who's Pulling Russia's Strings?

by Sophia Kornienko

Russia, some say, has finally found itself in the fraternal arms of a president determined to restore law and order at any cost. And those supporters have some fairly strong evidence to back them up. The war in Chechnya is a good starting point, followed by Vladimir Putin's recent reforms designed to thwart the ambitious corruption of regional governors. When media mogul Vladimir Gusinsky was arrested in mid-June, many took this as a sign that the new government isn't going to take any criticism lightly. In many respects, Putin seems a specimen of resolute strength: He walks and talks with the same effectiveness that he throws down judo opponents.

But this isn't the judo mat anymore, and through the cracks in Russia's political glasshouse there are theories emerging that Putin isn't really in control. Those theories can also offer up plenty of recent evidence. "As a source of power, Putin does not even exist," says Boris Kargarlitsky, the leading expert at Moscow's Comparative Political Science Institute. "[Putin] is only there because someone has to fill the post."

Putin claimed ignorance when he learned of Gusinsky's arrest during a trip to Spain. According to the president's press service, when Putin tried to call the prosecutor general to get to the bottom of things, he couldn't get through. Eyes were fixed on presidential administration head Alexander Voloshin as having inspired the arrest. Voloshin has long remained an influential member of tycoon and Kremlin-insider Boris Berezovsky's clan and the "Family," the Kremlin's Moscow circle created by Yeltsin's kin and closest trustees—mostly Russia's richest magnates. "Putin is a member of the Family," says Yevgeny Volk, an analyst with the Heritage Foundation in Moscow.

Upon his return to Moscow, Putin found himself ordering Voloshin to share more power with his deputies, providing more young administrators with so-called "access to the body"—a privilege to advise to the president directly. Yet, as the Kremlin accommodates new inhabitants, analysts say it may simply mean the clans are expanding. According to independent analyst Gleb Pavlovsky, "Yeltsin's successor is a product of careful meticulous selection, providing not only his loyalty but also a degree of dependency."

QUESTIONABLE POWER

The president's strength was first questioned in May this year when St. Petersburg Governor Vladimir Yakovlev, a man Putin openly dislikes, was given the green light by the Kremlin and re-elected as governor. The daily independent analytical website, www.Polit.ru, at the time interpreted that as Putin's first concession to Voloshin and Berezovsky. In June, after signing a decree naming well-known and widely respected independent lawyer Dmitry Kozak—a friend and fellow alumnus of the St. Petersburg government—to the post of prosecutor general, Putin suddenly changed his mind and appointed Vladimir Ustinov, an old military figurehead loyal to Yeltsin. When Gusinsky was arrested on orders from the Prosecutor General's Office last month, Putin had just embarked on his first

ethnic complexities

Putin's Riddle
(excerpts)

by Roy Medvedev
He's strong, decisive
and energetic, but that
doesn't mean Russian
President Vladimir
Putin is sinister.
22 May 2000

What the Russians
Think of "Pinochet"
by Robert J. Brym and
Larissa Kosova
22 May 2000

The Wild World of
Russia's Far East
by Nonna Chernyakova
15 May 2000
The Russian Far East
waits in hope that
someone will finally rein
in their out-of-control
governor.

Where Is All the
Investment?
by Vladimir Kozlov
15 May 2000
There is a reason that
Minsk still looks like a
relic of the Soviet
Union—it has little to
offer Western investors.

Drumming Up Foreign
Investment
by Petra Brejnerova
15 May 2000

Seductive Sellouts
by Viktor Luhovyk
9 May 2000
Russian barons are
buying out Ukraine's
hottest industries, while
analysts warn of new
dangers ahead.

Fumbling With History
by Howard Jarvis
9 May 2000
New initiatives to
encourage dialogue
rake up uncomfortable
memories about
Lithuania's role in the
Holocaust

Taming the Tamed
by Oleg Varfolomeyev
30 March 2000
Kuchma has painted
himself into a corner
with his proposed
referendum to slash
parliamentary power

The Exiles' Return
by Tomas Vlach and
Sarka Kuchtova
30 March 2000
After centuries of
persecution, Crimean
Tatars find that going
home is far from easy

General's Office later the same month, Putin had just embarked on his first European tour and was visibly frustrated before his Western counterparts when he announced that he knew nothing about the arrest and could not get in touch with Ustinov.

Enter the gray cardinal. It was Voloshin, according to sources at the Kremlin, who had long been advising Putin to do something about the critical coverage of the Chechen campaign on the NTV independent television channel, a widely watched and highly popular Media-MOST outlet. One of Russia's wealthiest oligarchs, who also ran Yeltsin's administration from early 1999, "Voloshin is probably the most powerful figure in today's Russia," Kagarlitsky says. Partners in multiple joint projects over the last decade, Voloshin and Berezovsky have gained control over a vast share of formerly state-owned monopolies. While Berezovsky has been called "The Family's purse" by Kremlin insiders, Voloshin has been nicknamed "the purse of The Family's purse."

Some say that Voloshin has Putin in check. Kagarlitsky, for one, is convinced that Voloshin is powerful enough to put any decree on hold. Former President of the Soviet Union Mikhail Gorbachev hinted at the same in an interview with Media-MOST's *Segodnya* daily newspaper, though he did not mention Voloshin in particular. "I think the old forces are holding Putin on a short leash. I feel sorry for the president," Gorbachev said. Union of Right Forces (SPS) leader Boris Nemtsov has openly called for Voloshin's removal. Some analysts doubt though, that Putin could get rid of his watchful guardian, even if he wanted to.

At 44 years of age, Voloshin is now head of the board of directors at the United Energy System (UES) giant. He's come a long way. In 1986, after finishing courses in foreign trade, he was hired by a research center at the Soviet Foreign Trade Ministry, and at the beginning of the 1990s, started earning some extra money on the side by providing inexpensive market consulting to various companies. It was then that Berezovsky first sought his advice regarding car export. In little time, Voloshin became Berezovsky's personal broker—or so the story goes. His trump card was always his talent to apply his state-granted access to the latest commercial information to his own private ventures. There was no time to waste at the onset of Russia's privatization scheme in 1993, when all citizens were given vouchers that entitled them to be "rightful co-owners" of the state's property. Every citizen, including minors, could choose to invest or to sell their shares, which were then hardly worth a meal at McDonald's.

Berezovsky saw to it that Voloshin's career would skyrocket. In 1993, Voloshin's voucher investment funds—Olympus, Prestige, and Elite—were established to purchase vouchers from people at low prices and later use them to buy whole sectors of the post-Soviet economy. When Russian financial pyramids began to collapse in 1994, Voloshin's other voucher mediating venture, Esta-Corp, fooled a Moscow bank into making a \$5.5 million purchase of Berezovsky's AVVA automobile alliance stocks, which in reality were worth almost nothing at the time. But Voloshin's biggest break came in 1996, when he was appointed president of the Financial Funding Corporation (FFC, part of the State Federal Property Fund) and was charged with supervising state property auctions.

In a recent profile published in the daily newspaper *Novaya Gazeta*, Igor Lurye wrote that "Alexander Voloshin helped Boris Berezovsky and [tycoon] Roman Abramovich to illegally acquire 85 percent of Sibneft oil company, thus causing a large loss to the federal budget. "On behalf of the FFC, the state lost \$55 million in just three years, Lurye wrote. Sibneft (Siberian Oil Company) remains in the Family's coffers today. The largest producer of gasoline in Russia, this company retails gasoline through its own chain of gas stations across western and central Siberia, owning 38 percent of a major refinery in Omsk. According to Hoover's Online Business Network, the company, "which emerged out of the Russian style

The Crimea Game
by Maksim Petrushin
30 March 2000

The Many Colors of
Bosnia
by Zeljko Cvijanovic
29 March 2000
Nationalists will still
likely win the local
elections in April, but
political pluralism could
take a big step forward

Law and Disorder
by Emil Danielyan
23 March 2000
A controversial
investigation into the
killings in the Armenian
parliament put the
government in deadlock

Back in the Saddle
by Vicken Cheterian
14 March 2000
Russia looks poised for
a comeback in Central
Asia, but will it take the
next step?

Skeletons in the Closet
by Laszlo Szocs, with
additional reporting by
Andrej Krickovic in
Zagreb
10 March 2000
With Croatia turning
westward, Orban and
Tudjman's much-
vaunted "strategic
partnership" may lose
its sinister elements

BUSINESS NETWORK, the company, which emerged out of the Russian-style privatization movement of 1995, has proved reserves of 4.1 billion barrels of oil and produces 342,000 barrels of oil per day, a third of which is exported." The Family's Abramovich controls approximately 40 percent share of Sibneft. "The economic resources of the country are being concentrated and consolidated in the Family's hands, and they have Alexander Voloshin as their powerful tool," Nemtsov said in a 13 June interview on NTV television.

BATTLE OF THE CLANS

After an urgent closed meeting with Putin on 20 June, Voloshin signed a new order of duty distribution among his staff. Yet, according to Volk, the rearrangement of who does what was purely decorative and more likely implemented to expand Dmitry Medvedev's privileges, rather than limit Voloshin's. Of all Voloshin's deputies, Medvedev, former chief of Putin's electoral headquarters, is to now become "an alternative center of power," Gusinsky's *Segodnya* writes. Medvedev, who once worked as an adviser to then Deputy Mayor Putin in St. Petersburg, belongs to the so-called "Petersburg clan," which is viewed as the Family's rival. This clan has its people scattered across Russia's many branches of power, including the government and the security service, as well as the oligarchy and Putin's administration. Among the group's best-known representatives is a former Kremlin chief administrator, the "father of privatization" and UES Chairman Anatoly Chubais. Finance Minister Alexei Kudrin is also a part of this group. Among the powerful presidential staff, aside from Medvedev, the Petersburg team includes other deputies to Voloshin— Igor Sekhin, Alexander Abramov, and Dmitry Kozak, the appointee to the post of prosecutor general. Yet, as many analysts suggest, only Medvedev, who was also elected head of the board of directors of the gas monopoly Gazprom on 30 June, is being groomed to succeed Voloshin as chief administrator.

Meanwhile, of the multicolored Petersburg clan, it is his former KGB colleagues with whom Putin seems to feel most comfortable. In an early April interview with ABC News, the Russian president said it is simple trust that gives him reason to rely on people like Nikolai Patrushev, the head of the FSB, and Sergei Ivanov, Putin's university classmate and a former co-worker at the KGB, now heading the newly formed Security Council. This powerful body, which some say Putin designed specifically for Ivanov, includes the president's regional representatives and security service officers, and aims to outweigh the oligarchy, which works closely with the regional governors.

After Yeltsin destroyed the dreaded KGB at the beginning of his rule in 1991, it was replaced by two successor agencies, the SVR (Russia's CIA), and the FSB, which focus on fighting domestic crime, terrorism, and foreign counterintelligence. Today, the SVR, the FSB, and the Security Council form a large and strong security service bloc, competing for power with the members of the Family. While the Family is definitely the one in control financially, the security service group possibly plays a more powerful role when it comes to more forceful forms of influence, says Volk.

Nevertheless, according to former KGB officer Konstantin Preobrazhensky, one level down from the FSB's and the Security Council's high-standing officials, the security service today suffers a shortage of quality agents. As a 41-year-old surveillance expert told *Newsweek*, his salary "increased nearly tenfold" when he left the agency for a large Moscow bank in the mid-1990s. There are only two classes of people left at the FSB, he said. "One, the most dedicated public servants. And two, those intelligence agents who maybe aren't so intelligent."

It is unethical to follow KGB tactics in official state politics, claims

Preobrazhensky. The provocative tactics lately so carefully pursued by the Russian side—for example, when Putin promised to bomb Afghanistan or suggested a joint missile defense shield with the United States—come directly from KGB textbooks, he says.

"We used to have the so-called 'A-Service' (Active Misinformation Service) which practiced deliberately misleading announcements and later observed the public reaction," Preobrazhensky said. "This and other typical KGB moves are being heavily abused in Russia today on the levels of top strategic decision-making."

The recent arrest of Media-MOST's Gusinsky, and his release three days later, is one instance that could have been viewed as the arm not knowing what the hand is doing. According to Volk, the arrest was made in cooperation between the Prosecutor's Office and the FSB, but not necessarily the president. The fight for power between the clans is heating up and the arrests were one of its consequences, according to Kagarlitsky. And the fight should be a good one, as most analysts agree that the influence of the security service is on the rise. Where Putin fits in, however, is still unclear. On one hand, he trusts his former security service colleagues. On the other hand, if Voloshin is ordering the Prosecutor's Office to make arrests in conjunction with the FSB, the two clans begin to clash.

What it comes down to is that the struggle among groups of influence constitutes the main component of current Russian politics. The country's political events are triggered chaotically by several powerful clans, each acting exclusively in favor of its own interests, concludes Kagarlitsky. That may mean that Russia is in fact ruled by no one.

Sophia Kornienko is TOL's stringer in St. Petersburg.

We want your feedback.
If you have comments on this, or any other TOL article,
please email us at react@ijt.cz

Send this article to a friend:

Friend's e-mail address:

Your email address:

Your name (optional):