EXECUTIVE BRANCH

Politics is a dirty business

President Putin certainly has been speaking his mind of late, and the results have proven both embarrassing and informative. Aside from his well-publicized gaffe regarding the President of Israel, Putin conducted a "hot line" question and answer session with citizens from across Russia’s regions. The questions might have been carefully vetted, but clearly the answers were not.

Putin's ability for "straight talk" on some issues can seem refreshingly honest or thuggishly blunt. He often seems to speak as if he has no sense of what is appropriate, which is a characteristic that, when repeated often enough, can turn public support to public embarrassment.

When addressing Russian domestic issues, Putin can be particularly direct about the state of affairs. One of the more chilling of Putin's comments during the hot line session came in response to a question about the recent spate of assassinations in Russia. The questioner specifically referenced the murders of Anna Politkovskaya, Andrei Kozlov, and a mayoral candidate in Dalnegorsk.

Putin's response noted a decrease in contract killings, and a determination to investigate and prosecute those responsible in such attacks. He chose to categorize the motives for these crimes as either economic or political. The economic crimes, Putin claimed, were being addressed by the state, which was becoming "more active" in its battle against corruption and "more energetic about
stepping on the toes of those who are trying to line their own pockets at the expense of millions of people." (1)

Politically motivated killings are far more difficult to address and may reflect a larger issue in Russian society. According to Putin, without any noticeable effort to hold out hope, "political battles here have not yet become civilized in form." (2) This is bad news indeed for any political candidates or putative presidential successors.

Putin's discussion of issues in Russian aviation also was telling and highlights both his penchant for a cold, direct assessment of problems and his preferred method of dealing with such an unwieldy industry. Addressing a recent tragic airplane crash and the issue of flight safety as a whole, Putin noted that while the airliner which crashed was foreign made and had "undergone all the necessary service and maintenance procedures," a review of "our fleet of aircraft [indicates that] there are also problems, and very big ones." (3) The president doesn't exactly inspire confidence in Aeroflot.

Putin offered an economic approach to resolve Russia's aviation problems: "I think that the solution lies in creating a powerful aviation holding." (4) His solution to the problem points out an issue that has begun to worry foreign investors and risk assessors.

Assuming that Putin's plan for an aviation superstructure will include substantial state intervention and influence, the warnings of financial security experts seem likely to materialize. According to Adam Strangfeld, deputy director of the Control Risks Group, which produces an annual Risk Map that ranks states by the levels of corruption, instability and other factors that could affect international investment, "President Putin will redouble his efforts to ensure state control of the strategic sectors. Foreign business operating in Russia may be forced to renegotiate contracts or to sell shares in specific projects." (5)
Putin may need to consider his words more carefully as he approaches a succession that, he continues to insist, will feature his departure from the presidency as constitutionally mandated. For a leader who likes to play his cards close to the vest, he instead seems to have been tipping his hand more frequently of late.

**Did he come to bury GRU, not praise it?**

One clear aspect of Putin's regime is his preference for former comrades from the security services, siloviki, particularly from the former KGB, in his selection of officials in his administration. Among the security services, it is clear that the FSB, the primary successor to the KGB, holds pride of place and repeatedly has absorbed elements of previously independent services, such as the Border Guards. Rumors about attempts by the FSB leadership (and/or President) to consolidate all state security (and defense) activities under its purview have persisted since the earliest days of Putin's regime. (6)

Putin's remarks during a recent visit to the General Staff Chief Intelligence Directorate (GRU), ostensibly to celebrate Military Intelligence Officer Day (5 November), raise as many questions about the President's trust in GRU as they seemed to answer.

Praising GRU for its "quality and reliable work," Putin immediately noted, "the world situation and the challenges facing Russia require the GRU to constantly improve its work, build up its operational capability and preventative reaction potential." (7)

Putin proceeded to task GRU with primary responsibility in non-proliferation issues: "I ask you to continue to keep a close eye on the whole range of issues concerning nuclear, chemical, biological weapons and missile technology. And,
of course, we must also ensure that components of mass destruction do not fall into the hands of terrorist organizations." (8)

Putin concluded with more praise for GRU's work and role in Russian society, but seemed less than certain of its future, "I believe that Russia will always be able to count on you." (9) Is it possible that a misstep in proliferation could mark the end of GRU?

Berezovsky needles Putin from afar...for now

It does not become clear how long a silence has been until it is broken. With Boris Abramovich Berezovsky, the high-profile, caustic oligarch, it was almost certainly only a matter of time until his criticism of the Putin regime resumed. One can imagine that Putin's insistence that he will step away from the presidency in 2008, coupled with the intensification of the public succession struggle, has emboldened Berezovsky to taunt his nemesis.

In an interview with Izvestiya's Altai correspondent, Boris Berezovsky called for the ouster of the Putin regime. Upon learning of Berezovsky's comments, the Russian Prosecutor's Office asked the FSB to conduct an investigation of Berezovsky on charges of planning the violent overthrow of the Russian government. (10)

Izvestiya, apparently wishing to confirm the controversial comments, approached Berezovsky for clarification. "I confirm absolutely everything," Berezovsky stated, "I haven't changed my views on the need to take power by force." (11) Asked why the regime change would have to be forcible, Berezovsky claimed: "Because no authoritarian regime has ever surrendered power to a democratic regime voluntarily." (12)

Berezovsky taunted the prosecutors, claiming he wanted to be clear, "so that the PGO [Prosecutor General's office] won't have to re-check everything or verify
the speaker's identity." He also pointed out that his political asylum in Britain has been through the courts there twice, and doubted that Putin's Prosecutor, Justice Minister or others would succeed in challenging his grant of asylum. Perhaps, Boris Abramovich, but what if a legal challenge is not the only approach they contemplate?

Source Notes:

(2) Ibid.
(3) Ibid.
(4) Ibid.
(5) "Watch out for Putin," by Tosin Sulaiman, The Times (UK), 7 Nov 06 via Johnson's Russia List (JRL) 2006-#250, 7 Nov 06.
(6) See The ISCIP Analyst, Security Services section below.
(7) Speech at the New Headquarters of the Chief Intelligence Directorate of the Russian Armed Forces General Staff, President Putin, 8 Nov 06 via www.kremlin.ru.
(8) Ibid.
(9) Ibid.
(10) Russian FSB to Check Berezovsky's Alleged Interview, Interfax, 26 Oct 06; OSC Transcribed Text via World News Connection (WNC).
(11) "Berezovsky is sure he won't be extradited to Russia," Izvestiya, 1 Nov 06; What the Papers Say (WPS) via Lexis-Nexis Academic Universe.
(12) Ibid.

Russian Federation: Domestic Issues and Legislative Branch
Presidential envoys in perspective: An overview

The presidential envoys – in theory, the managers of the seven federal “super-districts” created by Putin – initially formed an integral part of the president’s design to exert power over the regions. Having been exhorted famously by Yel’tsin to take as much "sovereignty" as they could swallow, the "autonomous republics" at the time of the transfer of power from Yel’tsin to Putin had become, in some cases, virtual fiefdoms of their regional elites. The creation of the super-regions and appointment of presidential envoys were not the only measures Putin took to reestablish centralized control. He also reorganized the Federation Council and eliminated the direct election of regional governors. The governors currently are selected by Putin upon the recommendation of regional legislatures and the presidential envoy for the region in question.

When he appointed his first envoys in 2000, Putin drew heavily upon the military and security services. His initial appointee to the Southern Federal District was General Viktor Kazantsev, former commander of the North Caucasus Military District. General Kazantsev’s career, until his appointment to the Southern district, was entirely in the military. Kazantsev was removed from his position in March 2004, amid a scandal concerning his attempts to push the Elektroapparat toward bankruptcy, in order to place it under the control of the wife of a trusted aide. (1) Kazantsev was replaced by former Deputy Prime Minister and former Governor of Saint Petersburg Vladimir Yakovlev, who was subsequently succeeded by Kremlin reformer Dmitri Kozak, following the Beslan attack in September 2004.

FSB Lieutenant Viktor Cherkesov headed up the Northwestern Federal District from 2000 until he left the post to assume a new position as Russia’s drug tsar in March 2003. Cherkesov was replaced by Valentina Matviyenko. Matviyenko was
followed by Ilya Klebanov in autumn 2003, when she became governor of Saint Petersburg.

The Urals Federal District received MVD Colonel General Pyotr Latyshev as its presidential envoy. Latyshev has remained in his post for the last six years as has Georgi Poltavchenko of the Central Federal District. Like many of his fellow envoys, Poltavchenko had a long career in the KGB prior to his appointment.

In 2000, Lieutenant General Konstantin Pulikovsky assumed the leadership of the Far East Federal District. Pulikovsky pursued some unorthodox measures in the region, chief among them the cultivation of a relationship with North Korea's Kim Jong-Il. Pulikovsky was removed from his post in November 2005 and replaced by Kamil Iskhakov. In December 2005, Pulikovsky was named the chief of the Federal Service for Environmental, Technological, and Atomic Supervision.

Of Putin's original appointees to the Federal District, only Leonid Drachevsky of the Siberian Federal District and Sergei Kirienko of the Volga Federal District did not spend the better part of their careers in the security services. Leonid Drachevsky spent much of his career as an ambassador. Before becoming the Siberian presidential envoy, he headed the ministry for CIS affairs. Drachevsky was replaced in October 2004 by General Anatoli Kvashnin. Most recently, Drachevsky has worked to increase trade with China in his capacity as the Deputy CEO of the electrical giant United Energy Systems. (2) Sergei Kirienko, a liberal economist and former Prime Minister, on the other hand, was transferred to the position of head of the Federal Atomic Energy Agency in December 2005 and replaced by the former prosecutor of Bashkortostan. In his current post, Kirienko frequently addresses international concerns over Russia's nuclear connections with Iran. (3)

The office of the presidential envoy seems to be relatively effective in ensuring that the Kremlin has representatives in the regions and in procuring necessary
aid and resources for them. Judging by the frenetic activity of Kamil Iskhakov, the presidential envoy can facilitate aid delivery to regions that need it, for example in the case of the earthquakes that struck Iskhahov’s district last May. The presidential envoy also can exert economic control in a region, as Dmitri Kozak is attempting to do in the Southern Federal District through his creation of a federal oversight body for the region’s finances. The efficacy of that body remains to be seen.

For some of the envoys, the position seems to be a training ground for future positions. Kamil Iskhakov, for instance, is a potential successor to Mintimer Shaimiev of Tatarstan. Iskhakov was the former mayor of Kazan and was not part of Shaimiev’s entourage. If Putin can finesse Iskhakov’s appointment to the post of president of Tatarstan (with the approval of the Tatarstan regional legislature), it will mark a victory for the Kremlin in an autonomous republic in which Moscow has not found it unproblematic to gain a strong foothold.

Georgi Poltavchenko, the envoy to the Central Federal District, is the Kremlin-favored successor for Moscow Mayor Yuri Luzhkov. Serving as the district’s federal manager has given him an opportunity to gain supporters and familiarize himself with the region, while also proving himself a faithful Kremlin ally in his dealings with Luzhkov.

Southern Federal District envoy Dmitri Kozak does not appear to view the district as a permanent appointment. Kozak maintains a strong presence in the center—his whole staff commutes to the district on a weekly basis, flying there on Monday mornings and returning en masse to the capital via airplane over the weekend. For him, the federal district is perhaps a layover en route to better things.

Siberian Federal District envoy (former Chief of the General Staff) Anatoli Kvashnin’s appointment in 2004 proved a convenient way to eliminate a rival to
Defense Minister Sergei Ivanov. Kvashnin has taken a relatively passive role in his post, compared to the activism of others such as Kozak and Iskhakov.

In addition to bringing the regions under the Kremlin's centralized control, another primary mission of the envoys has been the economic development of the regions. Efforts to carry out this responsibility have ranged from the recruitment of state-owned enterprises to invest in the Caucasus by Kozak to the pursuit of policies to recruit Russian speakers to resettle the Far East by Iskhakov. Poltavchenko has sought out agreements with foreign countries to attract investment to the Central District. The centralization of such economic development activities may have resulted in more effective cooperation among the regions.

Source Notes:

(2) “UES seeks presence on Chinese, Central Asian energy markets,” TASS, 4 Oct 06 via Lexis-Nexis.
(3) “Kirienko and Rice: Rapprochement,” Gazeta.ru, 25 May 06, pp. 1, 6; What the Papers Say (WPS) via Lexis-Nexis.

Russian Federation: Security Services

By Fabian Adami

Provokatsiya gone wrong...?
On Wednesday 27 September, Georgian law-enforcement authorities arrested four Russian nationals, apparently members of GRU, on charges of espionage. Speaking to the press following the arrests, Georgian Interior Minister Vano Merabishvili claimed that the group had been active on Georgian soil for “years,”
and that “information” had been obtained by Georgian authorities, indicating that a major act of “provocation” was in the works. (1)

Merabishvili’s accusations cannot easily be dismissed. Even a cursory examination of Georgian-Russian relations in the past year and a half shows that a war of words and actions has been brewing, and, if more recent events are taken into account, that the “pot” slowly was being brought to a boil.

In July 2005, Georgian police claimed to have found concrete evidence that the Gori car bombings of February 2005 had been planned and carried out by GRU saboteurs under the orders of Colonel Anatolii Sysoev, apparently an operative well known to Georgian counter-intelligence operatives. (2) Then, in January of this year, a major gas pipeline, as well as a high-voltage power line were blown up. While Moscow claimed “Chechen saboteurs” had been the perpetrators, investigators discovered plastic explosive residues at the scene—equipment Chechen guerillas, according to Pavel Felgenhauer, do not possess, but which “GRU Special Assignment Teams” regularly use. (3) More recently, there has been a “ramping up” of rhetoric vis à vis Georgia from the Russian side, notably in regard to the situation on the southern border. Russia’s southern border has been, and continues to be, the focus of a massive, R6.2 Billion construction project, which includes upgrading the Border Guard Service radar and their infra-red and satellite equipment.

The increase in focus on the Southern border, specifically in the Kabardino-Balkaria region, was supported by several trips to that area by FSB Director Nikolai Patrushev and Border Guards Chief Vladimir Pronichev during the spring and summer of this year. (4) While these visits themselves were not indications that action was planned, an announcement by Patrushev that non Border Guard troops, including an Interior Ministry brigade, would be positioned in the border zone before the end of the year did arouse suspicion. At the time, it seemed that the troops may have been posted to the South simply to act as a deterrent, but
now, the question must be asked: were regular forces dispatched in preparation for some kind of military action against Tbilisi?

Moscow’s reaction to the most recent arrests included an accusation that Georgian authorities were carrying out an “anti-Russian” policy, and a call for the immediate and unconditional release of the detainees. (5) If the prisoners had not been released, according to Yuri Sharandin, Head of the Federation Council’s Constitutional Law Committee, sanctions would have followed. (6)

The response from Russian commentators—most notably Pavel Felgenhauer—indicates that whatever GRU was planning in Georgia went awry. Specifically, Felgenhauer noted that GRU officers were operating in Georgia without adequate cover, and that they had been foiled by their superior officers. (8) Several GRU veterans reported that the arrests were a symptom of GRU’s decline in recent years, and that the agency’s previously stringent recruitment policies effectively had collapsed to such a degree that it now recruits “anyone at all.” (9) Aside from this information, which seems to indicate that GRU has been in the same steady decline in terms of training and personnel as the military at large, Felgenhauer’s analysis seems to confirm that Russia’s aim was indeed to bring about a collapse of President Mikhail Saakashvili’s regime, citing a Russian Security Council meeting days after the arrests, in which the decision finally to take down the regime apparently was made. (10)

Five days after the arrests, President Saakashvili agreed to hand the detainees over to the OSCE, which would then transport the GRU operatives back to Moscow. Saakashvili claimed that the move amounted to a “goodwill gesture,” rather than a reaction to Russian or other international pressure. (11)

GRU officers appear to have been involved in mounting a provokatsiya designed to allow Moscow, using the aforementioned pre-positioned troops, as well as its Georgian based “peacekeepers,” to make military moves against Georgia. The
arrest of the GRU team, although clearly unexpected, did not slow Russia’s plans. Instead, their detention provided Russia with a new casus belli, replacing the planned provokatsiya. Although Russian sanctions against Georgia have continued, along with Moscow’s expulsion of Georgians, (12) Saakashvili’s decision to release the GRU agents may have, at a single stroke, removed or circumvented (probably at best temporarily) an excuse or pretence for Russian military action.

**Politkovskaya murder investigation…bring out the patsy!**

On October 7, as she was returning to her Moscow apartment, Anna Politkovskaya was murdered, execution style, with gunshots to the head and chest. Within days, it became evident that the investigation into her death (led by Prosecutor General Yuri Chaika) was itself suspicious, due to the fact that all of Politkovskaya’s work (her computer, cameras, and notebooks) was impounded, while her last phone calls were to be reviewed, a tacit admission that she had been under electronic surveillance. (13) Given that she was about to publish a story about torture in Chechnya by Russian and loyalist troops, Politkovskaya’s death was remarkably convenient for the Kremlin and for President Ramzan Kadyrov; it seems probable that her death was ordered at the highest levels. Moreover, conceivably it hay have been no coincidence that she was killed on President Putin’s birthday, and just days prior to Kadyrov’s.

In the month since Politkovskaya’s death, the investigation apparently has made some progress. On 22 October, during a radio interview with the Russian News Service, Deputy Prosecutor Aleksandr Buksman claimed that investigators had unearthed “concrete details” about the killing, as well as some information as to motive. (14) Buksman did not reveal any further information, claiming that “unnecessary disclosure” could be harmful to the case.

Four days later, Kommersant claimed that the investigation was focused on several former “police officers” who previously had been linked to war crimes in
Chechnya. (15) According to The Moscow Times, prosecutors believed Politkovskaya’s murder had been organized and ordered from prison by Sergei Lapin, a former OMON Special Forces officer currently incarcerated in Chechnya. (16) Prosecutors apparently believe that two of Lapin’s former colleagues (implicated by Politkovskaya—as Lapin himself was), carried out the murder on Lapin’s orders. (17) The Prosecutor’s office again declined to comment on specifics, but confirmed that the investigation had moved to Nizhnevartovsk—the last known location for Lapin’s apparent co-conspirators, Aleksandr Prilepin and Valeri Minin. (18)

Obviously, it is possible that Lapin ordered and organized Politkovskaya's murder from behind bars. From an objective standpoint however, the “personal vendetta” motive seems too convenient. Given the pressure both from domestic and foreign sources, the case, at least from a political standpoint, needs to be closed as soon as possible. What better solution than to pin the crime on a ‘bitter’ individual with a grudge against the victim?

Espionage update: We seek them here…we find them everywhere!

Britain, the United States, China and Germany: in the last few months, Russia has allegedly disrupted espionage plots from all of the aforementioned countries and now Lithuania can be added to this list.

On 24 October, the FSB arrested Lieutenant Colonel Vasili Khitryuk of the Federal Penitentiary Service, stationed in the Baltic enclave of Kaliningrad, on charges of passing state secrets to Lithuania. Apparently, Khitryuk had been passing information about the Russian Baltic Fleet to the Lithuanian government for some time. (19) Khitryuk’s arrest seems part of a tit-for-tat exchange between Moscow and Vilnius over the recent expulsion from Lithuania of an unnamed Russian diplomat on espionage charges. (20) Russia, it seems, is hemorrhaging secrets left, right and center. Which country, one wonders, will be accused of spying on Russia next?
Sources Notes:

(1) See The ISCIP Analyst, Caucasus Report, Volume XII, Number 2 (5 Oct 06).
(3) “Russia Isn’t Denying That The Arrested Officers Are Intelligence Agents; Why Were They Operating Without Diplomatic Cover?” What The Papers Say, 3 Oct 06 via Lexis-Nexis.
(4) See The ISCIP Analyst, Security Services Report, Volume XII, Number 4 (15 Jun 06).
(5) “Moscow Cries Foul As Georgia Arrests Four Russian ‘Spies’,” 27 Sep 06; Agence France Presse via Lexis-Nexis.
(6) “Georgia Accuses 4 Russians of Spying,” The Moscow Times, 28 Sep 06 via Lexis-Nexis.
(7) “Russia Isn’t Denying That The Arrested Officers Are Intelligence Agents; Why Were They Operating Without Diplomatic Cover?” What The Papers Say, 3 Oct 06 via Lexis-Nexis.
(9) Ibid.
(10) Ibid.
(11) “Georgia Turns Russians Over To OSCE,” RFE/RL Newsline, 2 Oct 06 via www.rferl.org/featuresarticle/2006/10/31ED9D6D-B7C1-41A8-BFDD-A9EEAF23076B.html.
(12) See The ISCIP Analyst, Caucasus Report, Volume XII, Number 3 (19 Oct 06).
Russian Federation: Armed Forces (Internal)

By Monty Perry

Sanctions and an autumn chill
In early August, the US State Department added seven more companies to a gradually expanding list of international businesses deemed “off-limits” to trade with US companies. With these additions, 33 companies from numerous countries now have sanctions in place for violating the Iran Non-Proliferation Act of 2000 (INA 2000). (1) Among the most recent guilty additions are the Russian Sukhoi aircraft manufacturer, and the Russian state-run arms export agency, Rosoboroneksport. These two companies, as well as the other 30 plus on the list, were determined to have had business dealings resulting in the transfer of materials or technology which could potentially contribute to the development of Iran’s WMD programs. In official terms, the sanctions provide that, “for the next two years, American state-owned companies won’t be allowed to buy anything from these Russian companies, or sell anything to them; American private
companies will not be allowed to supply them with military or dual-use products."

(2)

While companies from four different countries make up the latest additions, recent increased tension in Russian-American relations has focused attention on what has been described by the Russian government as unjust measures taken against the Russian companies. Both companies insist that they are innocent of any wrong-doing and claim that the United States is simply punishing them for Russia’s recent arms deals with Venezuela. In these deals, reportedly worth $3 billion to Russia, Venezuela will add to its purchase made earlier this summer of helicopters, Su-30 fighter jets, and some 100,000 Kalashnikov rifles. In addition, they are negotiating to buy 50 more multi-purpose Mi-35 helicopters. (3) However, while the US certainly has expressed concern over these purchase agreements, the State Department’s decision on sanctions “was issued July 25th – just slightly before news reports of the Venezuelan sale.” (4) “State Department spokesman Sean McCormack said that such actions should not be regarded as any kind of conspiracy against leading Russian companies. The State Department imposes sanctions on American companies in just the same way.” (5) “The…official reason for imposing sanctions against the two Russian companies…was a $300 million contract for repairing and upgrading 36 Su-24 bombers for the Iranian Air Force.” (6) These aircraft, which have a striking resemblance to the US’s retired FB-111 bomber, are capable of the transport and delivery of tactical nuclear weapons.

The direct economic impact of the sanctions will be limited to dealings on only a few projects. Sukhoi has no ties to US companies for exclusively military work. However, its venture to build a new Russian Regional Jet (Superjet 100) constitutes collaboration with Boeing, Honeywell, Hamilton Sundstrand, and B/E Aerospace. While most of this cooperation is authorized since the Superjet is a civilian project, some US export licenses have been denied. The engine control
systems and various gyroscopes were categorized as dual-use technologies with applications in both the civilian and military industry. (7)

Another potential major impact could consist of Boeing’s reliance on Russian-produced titanium metal in its aircraft construction. Rosoboroneksport is in the midst of acquiring a 70% stake in the titanium corporation VSMPO-Avisma whose main client, Boeing, makes up 40% of its revenue. (8) However, until Boeing produces another military variant of any of its aircraft, titanium purchases from the Russian company won’t be affected. While Boeing’s current production is exclusively civilian, there is a major competition underway between Airbus and Boeing for a contract to build the US Air Force’s next generation aerial refueling platform. If Boeing wins, the B-767 line will become geared almost entirely to military production.

Despite the limited direct impact of the sanctions, it’s clear that this situation is adding fuel to an already smoldering hotbed of political and economic concerns, most of which appear unassociated with the INA 2000 sanctions. Russia’s international focus lately appears to be aimed purely and quite near-sightedly at economics and image. Just this week, Russia, asserting that the proposed measures were too tough, rejected proposed UN sanctions against Iran that were drafted by France, Great Britain and Germany. Russia would appear to be caught in a quagmire. Granted, Russia has a huge financial interest in a developing nuclear Iran. Contracts worth an estimated $800 million are in place for Russia not only to help with construction, but also to supply fuel resources to the Bushehr nuclear power plant in Iran. (9) However, as a permanent UN Security Council member, the Kremlin realizes the position it has put itself in by acting irresponsibly on the world stage. Furthermore, the danger presented by a nuclear Iran to its South cannot have eluded Russian strategists.

Another example of Russia’s desire for "recognition without responsibility" is its so-far unsuccessful 13-year effort to gain membership in the World Trade
Organization. As the only major world economy not in the WTO, Russia desires the benefits of membership, but won’t step up and enforce policies required of a responsible member. While progress has been made, the 31 October target date for the conclusion of negotiations has come and gone with no agreement yet in place. One of the main sticking points has been Russia’s reluctance to recognize and enforce intellectual property rights. Bootlegged music and films still are being proliferated on the world markets through systems like the Russian website alofmp3.com, which sells music tracks for only one-third the price of its law-abiding competitors. (10)

Retaliation against the US-led objection to Russia’s WTO accession and the sanctions against Rosoboroneksport and Sukhoi resulted in some recent Russian punitive moves. In a statement that apparently came as a surprise to Gazprom executives, “President Vladimir Putin announced at a Russian-French-German summit that the Shtokman gas field, considered a Russian-American project, will be reoriented towards the European market.” (11) “The shift in policy…will be a blow to efforts by American energy companies [Chevron and ConocoPhillips] to secure access to one of the world’s largest gas fields.” (12)

Boeing Corporation also has found itself feeling the effects of chilled trade relations. Just last week, Russia’s government-run airline, Aeroflot, let its reservation expire for the purchase of 22 Boeing 787 Dreamliner aircraft. (13) Boeing and Airbus have been in negotiations with Aeroflot (Eastern Europe’s largest airline) for over a year. Now, however, it appears that the $3 billion deal will be another victim of a developing political chess match. With orders for 455 Dreamliners already in hand, any attempt now to reestablish an order by Aeroflot will come with a much delayed timeline and a heftier price tag. (14)

Russia’s "official" response to the INA 2000 sanctions has illustrated again how much difficulty the Kremlin has getting its left hand to talk to its right. In this case, on 18 October, the Russian Deputy Foreign Minister, Sergei Kislyak made a
statement to the press that “Russia’s position during the UN Security Council’s vote on the Iranian nuclear problem will not be linked with [the US] sanctions.”

(15) “These are two independent serious matters which we will be resolving individually,” (16) he said. Then only two days later, in an Associated Press interview with the Russian Ambassador to the United Nations, Vitali Churkin “made it unambiguously clear that until the United States lifts the sanctions it has imposed against Russian companies, Moscow will not cooperate on the Iran resolution that the UN Security Council will...consider.” (17)

One only has to look as far as North Korea, Iran’s "axis of evil" partner, to find an example of a state whose once "innocent" energy-only nuclear ambition quickly transitioned to weapons. This example, and Iran’s obviously similar behavior, causes one to wonder why Russia continues to act irresponsibly and in defiance of an otherwise united effort against WMD proliferation.

Source Notes:

(1) Poroskov, Nikolai, “The Battle for Titanium; The US will need the Kremlin’s permission to build military aircraft,” 14 Aug 06, Vremya novostei via Lexis-Nexis.
(3) Krasnov, Petr, “The Priority is to Maintain Our Positions; Rosoboroneksport expands its horizons,” 11 Oct 06, Rossiiskie vesti via Lexis-Nexis.
(6) Zygar, Mikhail, “The United States Frees Iran from Russian Companies,” 2 Oct 06, Kommersant via Lexis-Nexis.
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Russian Federation: Armed Forces (External)

By Daniel DeBree

Bear hug for the dragon
In its relations with China, Russia may be pursuing a policy of “keep your friends close and your enemies closer.” China has designated 2006 as the “Year of Russia,” and with a reciprocal celebration of the Year of China scheduled for 2007 in Russia, matters seem to be quite harmonious between the two giants of Eurasia. (1) In the military sphere alone, there are more than eight different activities planned for this year’s Chinese celebration, ranging from significant joint military exercises to the more innocuous photo album commemorating the year’s events. (2) Regardless of the level of effort, the Sino-Russian military relationship is stronger than ever and concentrated in two main areas—military technology and joint exercises.

Russia and China already have a long history of military-technological exchange. In fact, China is Russia’s single biggest customer, accounting for more than 60% of Russian military exports for 2005 (over 3.6B US dollars). The flood of exports continues, for now, with China currently possessing over 270 SU-27/30 fighter aircraft, four Project 956 destroyers, and 30 batteries of S-300 anti-aircraft missiles—in the first two cases, possessing more of that type of equipment than the Russians have themselves. (3)

However, from the Russian point of view, there have been some disturbing changes to this market. Many analysts claim that China is now saturated with Russian arms, not only numerically, but also qualitatively. It is this second point that is most worrisome to Russian arms manufacturers and the military leadership. It is best demonstrated by China's actions with its newly imported SU-27 airframes. Called the Jian-11 by the Chinese, the aircraft were assembled in their Shenyang plant and then immediately upgraded to either the Jian-11A or B versions, both of which include an upgraded, Western-style glass cockpit. (4) Although the Chinese chose to upgrade their “new” Russian fighters themselves, there is an increasing market for other Western countries (most notably Israel) in the business of retro-fitting sub-par Russian equipment to bring it up to higher standards.
There are other clouds on the horizon of the Russian-Chinese relationship. Chinese efforts to build a US-style Airborne Warning and Control System (AWACS) aircraft based on the Russian 38 IL-76/78 airframes has encountered significant hurdles. The original $1.5B contract called for the aircraft to be built in Tashkent, with most of the components being furnished by Russian vendors. Although China expected delivery of the first aircraft in 2005, it has yet to receive one. Apparently, the technical hurdles are such that Russia has proposed relocating the plant from Uzbekistan to China and accepting significant further delay to the program. China’s reaction to this contractual miss-step was to postpone a scheduled military-technological commission meeting, which jeopardizes another $800M in military exports that were to be finalized at this meeting. (5)

Although not entirely obvious, it seems that China indeed may be reaching a point where Russian arms no longer are meeting its needs. If not clear from the evidence already presented, then the reaction of the Russian defense industry also points in this direction. Most significantly, Russian Defense Minister, Sergei Ivanov did not “exclude” Sino-Russian cooperation on the development of a 5th generation fighter aircraft to replace the already long-in-the-tooth SU-30s. Although no details were given, it was clear that the main sticking point was not whether or not the project would be pursued, but more a matter of dealing with intellectual property rights. (6) If Russia does agree to a joint venture on a project of this size and significance, it will be a substantial change in its military-technological relationship with China.

The Russian and Chinese military machines have been cooperating in other activities recently, most notably joint exercises. Peace Mission '05 was conducted in Vladivostok last summer, and comprised more than 10,000 army, navy, air force, and marine troops from both countries. Although it was conducted under Shanghai Cooperation Organization (SCO) auspices and officially touted
as an “anti-terrorist” exercise, it involved amphibious assaults, sea blockades, and a Russian demonstration of the Moskit supersonic “carrier-busting” missile. (7) These skills have little application for the land-locked member states of Central Asia, and the exercise seems tailor-made to catch the attention of the US Navy. Lest one minimize the importance of the bilateral exercise between the two military giants, it’s worth remembering that China and Russia did not conduct a single joint exercise before the 1958 split, when relations between the two countries were theoretically at their best—Peace Mission ’05 is the third and largest since the founding of the SCO in 2001. (8)

In addition to military exercises, there have been more than eight meetings between the defense ministers of both countries since 1992, with another scheduled for the end of this year. These meetings have yielded notable agreements including the prevention of dangerous military activities and the repudiation of the first use of nuclear weapons. (9) Although these fall short of a mutual defense pact, they are notable steps toward some form of alliance. Cooperation occurs at lower levels, also, with senior military officers in the People’s Liberation Army (PLA) now attending high-level professional military education at Russian military schools, (10) while both countries enjoy a robust officer exchange program in the lower ranks. (11)

What end do all of these military initiatives, not to mention the more substantial diplomatic and economics aspects of the SCO, seek? Originally, the Shanghai Five, as it was called, was aimed primarily at economic cooperation, with the military aims primarily concerned in resolving border disputes and reducing the cross-border drug trafficking and terrorism that existed between the Central Asian states. At least in Russia’s view, this all changed in 2001, with the attack on the United States by Al Qaeda. After initial cooperation with the US, Russia soon found the SCO to be a convenient vehicle for reducing US influence in Central Asia—a goal which suited China nicely, also. Although not touted as such, many indicators point to just this purpose. Most overtly, the SCO
specifically called for US troops to leave Central Asia after their 2005 summit.
(12) Following through, Uzbekistan essentially ousted the US forces in 2005; Kyrgyzstan raised the rent for Manas Airbase 100 fold in the same year—while Russian troops right down the road stay on their facility for free. (13) All of these actions were taken under significant Russian and Chinese pressure. Although China historically has been the primary driver for the SCO, Russia has taken a more active role since 2003 in calling for India and Iran to become observer nations, as a hedge against US influence. (14)

Although the single aim of reduced US influence in Central Asia seems to hold China and Russia in lock step, they are not without their differences. Russia, for its part, wants to limit Chinese influence in Central Asia also, and makes no pretenses about it. Since 2004, Russia has objected strenuously to Chinese requests for military bases and oil fields in Kazakhstan. The Central Asian states also pursue their own interests, which may run counter to Russia's, with Kazakhstan planning to host a NATO exercise this year, for example. (15)

Always careful to point out that the SCO is “not aimed at any particular third party,” nor is a counter to NATO, the Russians traditionally have not put much emphasis on it, at least in public. In fact, President Putin did not even mention the SCO in his 2006 State of the Union address. (16) As Ivanov points out, unlike NATO, the SCO does not have a unified command structure. In this case, however, actions speak louder than words. Joint military exercises clearly aimed at countering US influence in Asia, obvious calls for US departure from Central Asia with maneuvers aimed at achieving that end, and military activities and agreements with China that fall just shy of an alliance, all point to a coherent politico-military bloc. In fact, it may not be the actions that speak loudest, but the Chinese words that do, with ex-president Jiang Zemin referring to the SCO as the “Shanghai Pact.” (17) With nearly one third of the world's population, nearly one quarter of the world’s natural gas and oil reserves, and four of the world’s nuclear states, the SCO is an organization not to be taken lightly, in any case.
Russia recognizes this, and sees the SCO as a convenient vehicle to keep both its friends and its enemies close at the same time.

Source Notes:

(1) “Russian Defense Minister Ivanov to Visit China in December,” 19 Oct 06, Zhongguo Xinwen She; OSC translated text via WNC.
(2) Ibid.
(6) “Ministers of Defense of Russia and China Have Discussed the Perspectives of Military Technical Cooperation,” Kommersant, 27 Apr 06; via Lexis-Nexis.
(9) “Sino-Russian Military Security Cooperation Just Beginning to Develop, With No Signs of Letting Up,” 22 Apr 06, Jiefangjun Bao; OSC translated text via WNC.
(10) “Russia, China to Enhance Military Cooperation,” 23 May 06, Xinhua; OSC Transcribed Text via WNC.
(11) “Russian Defense Minister Ivanov to Visit China in December,” 19 Oct 06, Zhongguo Xinwen She; OSC translated text via WNC.
Renewed partnership in Egypt
Russia is continuing to strengthen its presence in the Middle East by reinforcing what the Russian government considers one of its “traditional partners in the region.” (1)

To be considered “traditional,” however, the Russian government must trace its roots back to the Soviet Union – something Putin has proven willing to do, and has often gone out of his way to do.

In the case of Egypt, in 1955, the Soviets, who helped to promulgate rumors of an impending Israeli invasion of Syria (a country that Egypt had been attempting, with little success, to incorporate with itself and Yemen as part of a United Arab Republic), began to ship large quantities of arms to Egypt. (3) Then, the USSR helped to build the 3.6-kilometer-long Aswan Dam, after the World Bank withdrew its financial support in 1956. Evidence suggests that despite the “rifts” in Soviet-Egyptian relations in 1972-73 and 1974-76, Soviet arms shipments to Egypt continued throughout the lifespan of the USSR. (4)
After the implosion of the USSR, Russia periodically shipped arms to Egypt, but the bulk of arms imports to Cairo began to come from Washington and American-owned companies such as McDonnell Douglas and Sparta. (5)

With Egypt’s increasing imports from the United States and decreasing imports from Russia, Moscow is looking now at a different type of technological export to remain relevant in the region—nuclear power.

If, as the Russian government now seems to contend, Soviet involvement translates into Russian involvement, then Russia also has historic ties to Egypt’s nuclear program dating back to 1961, when it supplied a research reactor to help establish (along with the United States) the Inshas Nuclear Research Center. (6) Like the reduction of arms shipments from Russia, nuclear know-how also was replaced with Western input. (7) Recently, however, Russia has started looking to strengthen its involvement in the Arab world, and Egypt is signaling that it is ready for the Kremlin’s return.

On November 2, Egyptian President Hosni Mubarak traveled to Moscow for high-level talks. During a press conference after the meeting, Mubarak and Putin praised each other. Putin supported a more prominent role for Egypt in resolving Mid-East conflicts, including involvement in the "Quartet" negotiations, and Mubarak spoke of furthering Russian investment in Egypt, including investment in its nuclear energy industry. (8)

Egypt wants to build four reactors for ostensibly peaceful purposes, and Russia wants to win the tender to build the reactors. Following the talks, Russian officials seemed optimistic: “I think we have a really good chance to win,” said Boris Alyoshin, the head of the Federal Industry Agency, “Everything is going in this direction.” (9)
Judging from the other results of the meeting, Alyoshin is right. In addition to suggesting a possible large-scale nuclear energy contract, Mubarek offered incentives to attract Russian companies to invest in other industries such as pharmaceuticals, oil and gas. (10) Mainly, he proposed to set up an economic zone, in which Russian-owned companies would receive hefty tax breaks and other perks for conducting business in Egypt. (11)

Renewed cooperation with Egypt not only benefits Russia economically—Putin boasted of the two countries’ bilateral trade statistics: $1.6 billion in 2006 (12)—but also benefits it politically, as do so many of its other dealings in the Middle East. It puts Russia back on the international stage. Russia’s relationship with Egypt, unlike its dealings with Syria and Iran, has yet to garner any criticism from the other main competitor in the region—the US.

In a November 2 statement, US State Department spokesman Sean McCormack encouraged Egypt and other “responsible states” to pursue peaceful nuclear technology. (13) McCormack did not mention Russia’s petition to build Egypt’s nuclear reactors, however.

If Russia does win the bid to build the reactors, Egypt will be the fourth state, following China, India, and Iran, to which Russia is exporting nuclear technology.

**Russia digs in on Iran**

Russian Foreign Minister Sergei Lavrov spoke out on November 3 against a draft United Nations resolution on Iran proposed by the European Union’s Germany, U.K., and France. The resolution calls for all countries to halt the sale and supply of material and technology that could aid Iran in continuing its uranium enrichment program. It also calls for a travel ban and it freezes the assets of individuals and companies which help to propel Tehran’s nuclear program forward. (14) Importantly, however, the draft makes an exception for the Russian-funded Bushehr nuclear power plant. (15)
Despite the exception, and after speaking with EU officials in Brussels, Lavrov stated: “We do not intend to drop back in our effort to deal with Iran over its nuclear program…But the measures the EU drew up were far beyond what we had agreed.” (16)

Lavrov insists that while Russia agreed to stronger measures on Iran after Tehran failed to comply with an August deadline to halt uranium enrichment, Moscow never actually backed sanctions. Instead, he stated, any extra measures “would have to be reasonable, take account of the real situation, should be proportional to the actual situation with regards to the nuclear program in Iran and should also be in stages.” (17)

One likely reason for Russia’s consternation is its other dealings—namely, arms sales—with Iran, in addition to the exempted Bushehr project.

Last December, Moscow agreed to sell Tehran a $700 million missile system, which some US and EU officials said had the capability to defend a nuclear arsenal. (18) Despite Western pressure to abandon the deal, Russia has held firm.

Just a day before the UN draft resolution was released, Russian Defense Minister Sergei Ivanov defended the missile deal, telling Russia Today television: “I wish to underline that these systems cannot be used in offensive operations…Secondly, they have a limited use as they are capable of protecting a small part of the Iranian territory.” (19) The next day, November 2, the Russian military went one step further, claiming that Iran does not have the capacity to manufacture intercontinental ballistic missiles, which have the capability of traveling 3,400 miles before detonation. (20)
The latter statement came shortly after Iranian state-run television announced that Tehran had tested a series of missiles, including long-range weapons which have the capability to carry nuclear warheads to Israel and threaten Western troops in the area. These long-range Shahab-3 missiles, which clearly are used for offensive purposes and have a firing range of 1,240 miles, accompanied a series of shorter-range missiles as part of a ten-day maneuver. Head of the Revolutionary Guards, General Yahya Rahim Safavi, declared: “We want to show our deterrent and defensive power to trans-regional enemies, and we hope they will understand the message of the maneuvers.” (21)

One of the sharpest signals is that Iran has the upper hand in its relationship with Russia. Already, when Russia is facing intense scrutiny about its missile sales to Iran, Tehran began aggressive military maneuvers, which, in turn, give the lie to Russian reassurances about Iran's capabilities.

At the same time, Russia strongly opposed the EU draft UN resolution which attempts to prevent Iran from developing ICBMs (if, indeed, the Russian military assessment is true). Perhaps the most illuminating statement about Russian-Iranian relations came from the Head of the Russian General Staff, Yuri Baluyevsky. After being asked whether Iranian missile capabilities pose a threat to Russia, he stated, “That depends on which direction they are sent.” (22)

Source Notes:


(2) For example, in 2005 during a nationally televised broadcast in Russia, Putin called the demise of the U.S.S.R. “the greatest geopolitical catastrophe of the century.” (“Soviet collapse a ‘catastrophe’.” The Seattle Times, April 26, 2005. The Seattle Times News Service, via Lexis-Nexis.) He has also done resurrected
several Soviet symbols including the national anthem’s melody and the military’s red star.

(3) “Egypt a Brief History,” MidEast Web Gateway via www.mideastweb.org.


(7) Ibid.

(8) “Press Statements Following High-Level Russian-Egyptian Summit Talks,” 2 Nov 06, President of Russia via www.kremlin.ru.


(11) Ibid.

(12) “Press Statements Following High-Level Russian-Egyptian Summit Talks,” 2 Nov 06, President of Russia via www.kremlin.ru.

(13) “US does not object to Egyptian-Russian cooperation on peaceful nuclear development,” 2 Nov 06, AP; International Herald Tribune via www.iht.com.


(15) Ibid.


(17) Ibid.


Newly Independent States: Caucasus

By Creelea Henderson

GEORGIA
What price freedom?
Georgia, a thoroughfare for energy flows across the Caucasus to Europe, lacks its own energy resources and depends upon Russian state-owned companies to supply three quarters of its energy needs. Thus, the decision last week by Russian gas monopoly Gazprom to more than double the price of natural gas for Georgia has struck a heavy, if not unexpected, blow to the economic prospects of the country, already struggling through Russian trade sanctions. Taking the long view, however, should Tbilisi manage to survive this pricing bludgeon, it can emerge only stronger and more independent vis à vis its former patron state. (1)

On Thursday, November 2, a Gazprom official announced that the Russian gas monopoly will more than double its current price of natural gas in sales to Georgia, from $110 to $230 per 1,000 cubic meters, beginning in January 2007. Although there is no good time for bad news, the announcement of a price hike came at a particularly difficult moment for Georgia. It is estimated that the Russian ban on imports of water, wine and fresh produce already has cost Georgia 1.5 percentage points of this year’s GDP; (2) the downturn of another 1.1 percentage points predicted by Alexi Alexishvili, the Georgian minister of finance, as a result of the gas price hike, constitutes, in fact, an optimistic
projection. It is likely that the country will find its economy depressed to an even greater degree once the higher pricing takes effect. (3) On average, Georgia requires approximately 2 billion cubic meters of natural gas, and that need is projected to rise in the coming year, if the country's productivity is to regain pre-embargo levels. So far, however, Georgian leadership has not acknowledged the storm clouds on the horizon, pointing instead to the robust 8% growth in GDP this year, in spite of Russian sanctions. The green shoots of growth have been brought on mainly by foreign investment in Georgian banks and wineries. In a relentlessly upbeat speech aired on Rustavi-2 television, Saakashvili went so far as to thank Russia sardonically for the embargo, saying, “the truth is that as the years pass we will thank those behind the economic embargo because they have taught us to find new markets. Their embargo has had the opposite effect to the one they wanted.” (4)

While such pluck is admirable, Saakashvili will face a huge challenge with the onset of Gazprom’s price hike, and his optimism will need a solid fiscal bulwark to withstand the pressures of unpopular austerity measures or deep compromises with Russia. Although the situation is quite serious, it is not unexpected, and Georgia must have scenarios in place to answer its energy needs when the time arises. Talk of energy diversification has been coming from Tbilisi for some time, growing more purposeful after Russia, Georgia’s main trading partner, hobbled its neighbor with punitive trade barriers in September, following the arrest and release of four Russian intelligence officers operating in Georgia. Energy diversification, in this case, means looking to neighbors such as Turkey, Azerbaijan and Iran, as prospective suppliers of some portion of Georgia’s natural gas needs.

The partnership potential in the neighborhood is mixed, at best. Azerbaijan is the most obvious choice for an energy supplier, with the South Caucasus, or Shah-Deniz pipeline expected to open in December. As a partner country in the project, Georgia is due to receive 300 million cubic meters of natural gas, or 5%
of the total flowing from Azerbaijan en route to Turkey. According to terms laid out in 2003, Georgia is eligible to purchase additional gas at $55 per 1,000 cubic meters over the next twenty years, with a 1-5% purchase price increase annually. The price is certainly right, but the gas already has been promised to international trading partners waiting at the tap in Turkey, so it is doubtful that a surplus will be available to fill Georgia’s needs in the immediate future. (5)

Iran, sitting on to the world’s second largest gas reserves after Russia, has supplied Georgia with a small volume of gas this year, and is expected to provide a modest, but steady supply throughout the winter. As an alternative to Russia, Iran is a ready possibility; as a reliable trading partner, however, Iran presents problems. Fiscally, Iran is fixing its gas prices to Gazprom levels, so that the price burden will be identical in any case. Politically, courting Iran is at best inexpedient at the moment and Georgia would do well to be wary; Iran is playing a dangerous game with its new nuclear capability and the international community is muddling about for a strategy to address member concerns. President Saakashvili used a two day tour of Israel to pledge Georgian support for the Jewish state, in an apparent bid to offset fears that energy interdependence with Iran might compromise Georgian commitments to Israel, and by extension, friendly ties to western countries. Not everyone was convinced that the Georgian president could reconcile his western outlook with a volatile new energy partner, however. Reuven Amak, a leader in the Israeli-Georgian community, spelled out his concern for the countries’ relationship in his comments to the Jerusalem Post, “during the current crisis with Russia, Georgia is hoping to get [its] natural gas from Iran. Therefore, it is very important to emphasize [the strong Georgian connection to Israel] once again. If the situation continues as is, and Georgian-Iranian ties strengthen, it’s hard to imagine that we will be able to count on [Georgia’s] support.” (6)

At present, gas continues to flow from Russia almost exclusively, and Georgia has the coming two months to negotiate its next step, before a new pricing
agreement is signed. Alexi Alexishvili, Georgia’s minister of finance, has made statements promising to keep the domestic market afloat by using government subsidies to compensate individual households for the difference in price during the first months of transition. (7) The move is frowned upon by the IMF, which sees the politically expedient subsidies plan as a short-sighted move that is bound to damage the Georgian economy in the long term. Robert Christianson of the IMF predicted that austerity measures, though unpopular, would be the soundest choice for the country in the coming months. “What we expect [from the gas price increase] is consumers to conserve consumption of gas,” he said. He added that the country should consider cheaper fuels such as coal, as an alternative to Russian gas. (8)

Georgian leaders have responded with ideas of their own about alternative energy supplies. Zurab Nogaideli, Georgia’s prime minister, revived the idea of building new hydroelectric plants to reduce dependence on imported power. “You remember that in the beginning of 2006 the President instructed us to construct hydro power plants. So today we will take a decision about the launch of construction of two new hydro power plants in Georgia, in particular in Paravani and Gudauri,” Nogaideli said in a speech before the Energy Ministry. (9) Whether hydroelectric plants will substantially reduce the country’s need for gas is another question. In 2003, natural gas made up only 8% of Georgia’s electricity production, while the other 92% of electric output was powered by hydroelectric plants. Gas is being used elsewhere, in functions that would require a mass infrastructure shift to convert, such as heating homes.

As Georgians face the coming winter with a question mark hanging over their fuel supply, the Georgian government has asked that Russia guarantee secure delivery of whatever volume of gas it purchases. "We have got an assurance from the Russian side that gas and electricity will not be cut off,” announced Gela Bezhuaishvili, Georgia’s foreign minister, after emerging from talks with Russian Foreign Minister Sergei Lavrov. "I do hope there is less politics in these gas
prices than commercial [logic]. I hope we will get a clear explanation on the pricing formula." (10) There is little doubt that the price hike was another punitive measure leveraged by Moscow against its westward-leaning neighbor. The fact that the announcement came at a high-level ministerial meeting in Moscow, which was intended to ease tensions between the two countries, only serves to underscore the political nature of Gazprom’s timing.

The decision to raise the price of natural gas is, however, a long-anticipated commercial measure, as well. Gazprom already has renegotiated gas pricing arrangements with other former Soviet states, dramatically raising rates toward market pricing in each case. The case of Georgia is exceptional in that the relatively poor country is being charged $230 per 1,000 cubic meters, about the same as is paid by wealthier countries belonging to the EU. Ukraine, by contrast, recently renegotiated a price with Gazprom of $130 per 1,000 cubic meters. (11) Helpfully, that deal was brokered by a friend of the Kremlin, Viktor Yanukovich, a fact which highlights the point that, for the Kremlin, the term “market value” is a fluid political expedient.

What remains to be seen is how Georgia will weather the shock to its fragile economy. If the country manages to absorb the rate hike unbowed, then Moscow likely will prove to be the victim of its own heavy hand. In raising gas prices, Moscow is playing its last legitimate trump card against Tbilisi. Gazprom is entirely within its rights when it chooses to charge a country a given price for its natural gas supplies. When Georgia pays market price, however, it will no longer be a dependent state, but will have emerged from Russia’s sphere of influence.

Source Notes:

Energy issues vs. human rights concerns in EU-Uzbekistan relations

On 17 November, the sanctions imposed on Uzbekistan in October 2005 by the European Union (EU) will expire, unless all 25 of the EU member states are able to reach an agreement on which, if any, of the sanctions should be extended. The sanctions were implemented in response to the Uzbek government’s harsh
crackdown on the May 2005 uprising in Andijon and its subsequent refusal to accept an international investigation of the events. The sanctions, which a number of prominent human rights groups have criticized for being too weak, include an arms embargo, a visa ban on a dozen Uzbek government officials, and a moratorium on high-level bilateral meetings. The EU foreign ministers are expected to make a decision regarding the sanctions on 13 November in Brussels, (1) where they are scheduled to attend a meeting of the EU General Affairs and External Relations Council. (2)

The European Parliament already has weighed in on the issue, in a resolution passed on 26 October. The majority of its members voted against extending the sanctions for an additional 12 months, although they did recommend that the EU General Affairs and External Relations Council renew the embargo on arms sales and military transfers. The resolution also advised the Council “to make a considered decision with a view to improving future relations with Uzbekistan,” while also stating that the EU’s relations with Uzbekistan "must be based on mutual respect for the principles of democracy, rule of law and human rights, as is clearly laid down in the EU-Uzbekistan Partnership and Cooperation Agreement" and calling on the Uzbek government "to cooperate fully with the OSCE and with the UN, especially with regard to the call for a credible and transparent independent enquiry” into the May 2005 events in Andijon. The Parliament also pointed out that, to date, the Uzbek government has not met any of the conditions set by the Council when the sanctions were first administered. (3)

Given the fact that President Islam Karimov’s administration has ignored all international requests for an independent investigation into the Andijon events and that basic human rights (to say nothing of basic civil rights) are being trampled in Uzbekistan at a higher rate than ever, it seems quite remarkable that the European Parliament would recommend lifting any of the EU’s sanctions. In fact, most of the press briefing in which the Parliament announced its decision
reads as though it is a censure of the Uzbek government’s lack of progress on human rights issues, rather than a recommendation to partially lift the sanctions. The briefing provides no explanation for the MEPs’ decision, other than to state that the EU’s goal should be to improve its relations with Uzbekistan.

Following his meeting with President Karimov on 1 November, German Foreign Minister Frank Walter Steinmeier went so far as to all but promise that the EU’s sanctions against Uzbekistan would be lifted, in return for the Uzbek government’s firm pledge that it will improve its record on human rights. Uzbek officials are scheduled to meet with representatives of the EU Commission and Finnish and German diplomats (who will be acting on behalf of the EU) in Brussels on 8 November, where they will have the opportunity to outline Tashkent’s plan for improving the country’s human rights situation. Uzbekistan’s foreign minister, Vladimir Norov, already has pledged that his government will ban the death penalty and implement criminal law reform, and apparently his promises were enough to reassure Mr. Steinmeier that despite its many actions to the contrary, the Uzbek government is, in fact, serious about implementing genuine reform of its penal system. (4)

There has been a great deal of speculation that the real motive for the EU’s inclination to be lenient toward Tashkent is connected to the energy conundrum—a number of experts and political analysts believe that Russia and China’s growing appetite for Central Asia’s energy resources has Europe running scared. (5) Russia and China both have been courting the Central Asian governments, in an attempt to gain control over more of their oil and natural gas resources, as well as to influence their leaders against supplying more energy to other countries. Uzbekistan is thought to possess 1.86 trillion cubic meters in natural gas reserves, reportedly enough to meet Europe’s needs for four years, if the Trans-Caspian gas pipeline project (this pipeline would link the European Union to natural gas reserves in Kazakhstan, Turkmenistan and Uzbekistan) comes to fruition. EU officials also are concerned about maintaining good
relations between NATO and the Uzbek government, in order to retain support for NATO’s operation in Afghanistan and in the sphere of anti-terrorism, in general. (6) EU officials ostensibly believe that if they can curry enough favor with the Uzbek government, they will be rewarded with these and perhaps other concessions and that lifting the sanctions will constitute a significant step toward this goal.

However, there is absolutely no guarantee that allowing the sanctions to expire will elicit the compensation that Europe is seeking from Uzbekistan in either the economic or defense spheres. On the contrary, the EU’s willingness to do a sudden about-face in its policy toward Uzbekistan may cause Europe’s leaders to appear fickle, weak, and unreliable both as trading partners and military allies. By contrast, Russia and China may look even more attractive as partners in both commercial and military ventures.

Source Notes:


(3) Ibid.

(4) “EU ready to ease sanctions imposed on Uzbekistan, says Steinmeier,” 1 Nov 06, Deutsche Presse-Agentur via Lexis-Nexis Academic Universe.

(5) K. Nordonov, “Democratic values vs economic pragmatism. EU sanctions against Uzbekistan may be stiffened or alleviated,” 27 Oct 006, Ferghana.Ru via enews.ferghana.ru.

Newly Independent States: Western Region
By Tammy Lynch

UKRAINE

The Defense Minister fights back, but is he alone?
On 9 November, Ukrainian Defense Minister Anatoliy Hrytsenko called for the dismissal of the Prosecutor General, and accused some within the government of attempting to use corruption charges to remove him from office. (1) His statements came just days after being called to “report” before parliament – a request that is usually associated with the desire of the parliament to dismiss a sitting minister.

Hrytsenko, who is not a member of any political force, but has long been a supporter of President Viktor Yushchenko, was appointed on Yushchenko’s ministerial quota. Technically, he can be dismissed only by the president. Nevertheless, almost from the moment Prime Minister Viktor Yanukovych took power, he has been the subject of corruption allegations and has seen his defense budget squeezed.

A week ago, parliament ordered Hrytsenko, Foreign Minister Boris Tarasyuk and Interior Minister Yuriy Lutsenko (Yushchenko’s other quota appointments) to report to them on their work. (2)

Since that time, Hrytsenko and Tarasyuk have remained silent. President Yushchenko, meanwhile, at first called the decision “an inquisition,” and suggested that “democratic processes in Ukraine are under threat. The decisions that have been made seem to indicate that the function of law enforcement and the minister in charge of the law-enforcement agency have to be brought to heel, they have to be on a leash.” (3)
However, he soon urged the two sides to find compromise. “Political consolidation is what Ukraine needs today and will need for the next several years,” he said on 9 November. “The Presidential Secretariat … will only build constructive relations and find compromises.” (4) These statements came on the heels of Ukrainian media reports that Yushchenko may be amenable to replacing Tarasyuk.

Hrytsenko’s response seems to indicate that he feels the need to defend himself. The Defense Minister is one of the most respected officials in Ukraine and finds significant support for his reforms internationally. He has steadfastly moved toward a modernization of Ukraine’s military and has waged one of the most successful battles against ministerial corruption in the country, identifying numerous weapons deals that were inappropriate and defense budget items that appeared to be used for other means. It is no surprise that he would be targeted by individuals who may have benefited in the past from the defense budget.

Hrytsenko spoke of numerous cases of defense ministry corruption sent to the Prosecutor General for prosecution, but claimed that nothing has been done. He further implied that his removal would allow these cases to be dropped entirely.

It is unclear whether President Yushchenko will fight actively for his ministers when the report goes to parliament on 15 November. Should he not, he could sacrifice one of Ukraine’s most effective and respected reformers.

BELARUS
Lukashenko continues crackdown, as EU rejects sanctions
On October 12, a European Union trade committee decided not to suspend Belarus from the Generalized System of Preferences (GSP). (5) Had they done so, preferential tariffs on goods traded with the EU would have been eliminated. Now, Belarus will continue to receive the same preferential trade treatment as countries like Turkey and Ukraine.
Two weeks later, the European Parliament awarded Belarusian opposition leader Aleksandr Milinkevich its Sakharov Prize for Freedom of Thought. The prize, which includes a 50,000 Euro award, recognizes “outstanding achievements in the fight to protect freedom of thought and expression against intolerance, fanaticism and hatred.”(6)

The contrast between these two decisions is stark. Despite regularly and loudly criticizing Belarus for human rights abuses, despite decisions to freeze the bank accounts of Belarusian officials and extend visa bans on dozens its leaders, and despite ongoing questions about Belarus’ involvement in both human and weapons trading, the EU chose to avoid what would amount to minimal trade sanctions.

The decision of the EU not to remove Belarus from the GSP followed a year-long investigation that found significant violations of International Labor Conventions. Following this investigation, the European Commission recommended that trade preferences be removed. “The EU has to recognize,” said one Commission member, “that this regime is carrying out flagrant abuses.” (7) At the start of the investigation, EU External Relations Commissioner Benito Ferrero-Waldner said, “Our grave concerns about trade union rights in Belarus have led to an investigation into alleged violations of freedom of association and also the right to collective bargaining, as defined in the ILO Conventions, especially within the framework of the GSP.” (8)

However, Belarus’ closest neighbors—and ironically those countries that have most criticized it for human rights abuses—refused to back the sanctions, enabling Belarus to declare victory over the EU.
Poland, Latvia and Lithuania suggested that the move would (a) undermine support for the EU within Belarus (b) harm the Belarusian people, and (c) damage cross-border business links.

These three arguments are shaky, at best. In particular, the possibility that removing Belarus from the GSP would undermine support for the EU within the country is difficult to defend. President Lukashenko, who controls all media, has done a superb job of demonizing the EU and its membership on his own. He needs no help from the EU.

There are, of course, large numbers of Belarusians who aspire to closer ties with Europe and even possible EU membership in the future. Milinkevich is among them. But Milinkevich repeatedly has expressed his desire for the EU to penalize Belarus for its domestic and foreign policies. In fact, Milinkevich traveled to several European capitals following the presidential election to advocate for tough sanctions against Belarus. To do so, he said, would be “important morally” for the country’s embattled opposition leaders. Removing Belarus from the GSP would have increased the organization’s stature in the eyes of those most supportive of it. (9)

Additionally, the suggestions that Belarusians would be harmed by the sanctions seems not entirely supportable. It is true that certain Belarusian officials and businesses may be affected. But, most Belarusians do not benefit from such businesses—which receive support from the government, and which concentrate wealth in a very few hands. The number of businesses on the territory of the three neighbors that would be affected also appears limited.

Latvia, Lithuania and Poland are Belarus’ third, fourth and fifth largest trading partners, respectively, behind Russia and Ukraine. Conversely, Belarus does not rank high among the major trading partners for the three countries. Poland’s largest trading partners are Germany, Italy, Russia, France and the Netherlands.
Latvia sees the highest turnover with Lithuania, Estonia, Germany and Russia. And Lithuania’s biggest trade partners are Russia, Latvia, Germany and Poland. (10)

These figures suggest that the question for Poland, Lithuania and Latvia actually may have had more to do with Belarus’ main partner (and sometime protector) Russia, than with their own relations with Belarus.

The three may have been handicapped by their precarious trade position within the EU. A number of challenging trade discussions are ongoing within the organization and pushing this issue could have led to more difficult negotiations in a number of others. But, should Russia quietly have pressed this issue on Belarus’ behalf, Poland, Lithuania and Latvia may have had little choice but to consider the issue carefully.

Both Lithuania and Poland are negotiating with Russia over gas prices for the coming year, and Lithuania already has been told to expect a major increase. Latvia is facing continuing pressure over what Russia terms its mistreatment of the Russian minority. All three have watched the increasing trade wars between Russia and Georgia, Russia and Moldova, and Russia and Ukraine. Russia has blocked imports of everything from beef to wine to bottled water from these countries, while simultaneously demanding increases in gas prices. Whole industries (particularly Moldovan and Georgian wine producers) are facing possible collapse, thanks to the loss of their biggest markets. Sanctions on Belarus may not have been worth it economically. But without this step, the Belarusian opposition is left to struggle on its own.

Just days after receiving the Sakharov Prize, the apartment of Milinkevich’s press representative, Yulia Kotskaya, was searched by police. After finding nothing, they attempted to search the apartment of Kotskaya’s mother, who refused to open the door when police could not produce a warrant. Nevertheless,
Milinkevich’s office told the Charter 97 website that the authorities forced their way in, destroying property during their “search.”

Milinkevich recently served 15 days in prison after challenging Lukashenko in March’s presidential election. Lukashenko’s other opponent, Aleksandr Kazulin, was sentenced to 18 months of “hard labor” after participating in protests following the election. He currently is hospitalized after two weeks on a hunger strike. (11)

On 2 November, the 25-year-old leader of the Youth Front also was sentenced to 18 months of labor for “joining an unregistered group.” Milinkevich said simply, “The authorities are afraid of young people, especially when they become organized.” (12)

Several members of an independent Belarusian election monitoring group, Partnership, also continue to serve sentences. They were part of over 1,000 monitors and political opposition activists arrested during and following the election. An unknown number continue to be held.

The situation for Belarus’ opposition leaders is becoming more difficult every day. But statements of condemnation from the EU are becoming more rare.

With the EU backing away from earlier threats to impose sanctions for violations of human rights, and support for this decision coming from countries previously supportive of Lukashenko’s challengers, it seems the Belarusian opposition may be more isolated than ever.

Source Notes:

(1) UNIAN News Agency, 0933 GMT, 9 Nov 06 via Lexis-Nexis.
(2) “Decision to Hear the Reports of Defense Minister Anatoliy Hrytsenko, Foreign Minister Boris Tarasyuk and Interior Minister Yuriy Lutsenko,” Verkhovna Rada, Bill No. 2466, 3 Nov 06 via http://www.rada.gov.ua
(3) One Plus One TV, 1730 GMT, 3 Nov 06 via Lexis-Nexis.
(4) ForUm, 9 Nov 06 via www.en.for-ua.com
(12) “Belarusian Oppositionist Goes to Jail,” Kommersant, No. 206, p. 10; Russian Press Digest via Lexis-Nexis.

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