

Chapter 1.

**MAIN TRENDS IN THE POLITICAL AND ECONOMIC
DEVELOPMENT OF RUSSIA IN 2005.
SPECIFIC NATURE OF THE POLITICAL SITUATION
IN RUSSIA**

1.1. Key Results of the Year

The past year 2005 turned out to be fairly controversial. On the one hand, the key economic indicators – GDP growth and economic production, budget surplus, volume of the stabilization fund – give grounds for upbeat conclusions. On the other, concern is clearly mounting over the political prospects of the state. The motives for these concerns are quite explicable – by and large, ***2005 opened a new electoral cycle. In the country started an election campaign.*** And that means, a period of relative peace and calm is over. The time of big political „games” has come, the „reloading” of the entire power system has been launched. And certain doubts appear over the successfulness of such a step. For the transfer of supreme power – is a process which cannot help being dramatic.

In spite of the fact that under the election legislation it is still two years to come before the parliamentary and presidential elections, even now we can observe an almost open and fairly tough confrontation inside the elites related to the struggle for administrative, information, political and financial resources which are supposed to help win the office of the head of state. Rivalry is on for winning over the support of the RF President in the forthcoming process of power restructuring in 2007-2008. Elite groups are actively involved in election „fundraising” which stimulates the process of property redistribution. They are also keen to persuade Vladimir Putin into taking their project as the basis in the implementation of the „Successor” plan.

The main conflict goes on between the nomenclature-political groups (NGP) of „Petersburg siloviki” [*top-ranking officials representing defense, security and related ministries and agencies, such as the Defense, Security Service, Intelligence, Interior Ministry, etc. Trans. note*] and „Petersburg liberals”. They should not be perceived as absolutely coherent unions free from internal contradictions. Yet, this being the case, as the elections draw nearer they are rallying their ranks ever closer in the struggle for the top prize – the opportunity to get rid of their administrative rivals after Vladimir Putin steps down as President. Furthermore, ***each of these groups is not simply trying to advocate its own private political and economic interests, but is seeking to form its own development strategy for Russia in the post-Putin era. Each of them is lobbying its own version of domestic and foreign political, economic, social development of Russia intended to become the „ideology” of the new power.***

Thus the liberal NPG is oriented towards the construction of the so-called „neo-Soviet” political system, in which formal democratic norms will combine with the „leading and guiding” role of *United Russia*. At the same time, in the economy the economic reforms will continue and in the international arena the Russian Federation

will be oriented towards strategic partnership with the West which, for that matter, the „liberals” set as a prerequisite for the national elite to maintain the right of control over the key economic assets. This position is reflected in the concept of „sovereign democracy” whose major premises were made public this current year. The „Petersburg liberals” are ready to implement the scenario of early parliamentary elections already in 2006 which gives them real chances of getting a complete victory over the administrative rivals unprepared for such developments.

As far as the „siloviki” are concerned, likely is the variant of „tough stabilization” of state capitalism based on the principles of great-power patriotism and social paternalism. Besides, within their foreign policy course they intend to intensify the contacts with „alternative”, non-western centers of influence (China, India, Iran), striving to create a global counterbalance to the international monopoly of the US and Western Europe.

This conflict grew particularly intense at the end of the year when Vladimir Putin had to lay some of his cards on the table and determine the formal leaders in the struggle for succession from each of the groups. But despite Dmitry Medvedev and Sergei Ivanov’s becoming favorites of the future presidential campaign, it is extremely hard to tell, how much they will really manage to maintain their leading positions in the future. For the struggle is not over yet – it is only the first round of the „primaries” that is over, and major battles lie ahead.

The rivalry of the elite groups has a rather destructive effect on the stability of the Russian politics and economy. In the current, quite favorable conditions (high energy prices, impressive ratings of the RF President, lack of powerful opposition) even relative unity of the authorities would make it possible to carry out a range of qualitative structural reforms, to modernize the domestic political and economic model. However in view of the extremely tough and acute struggle for the „Successor” project, reforms were pushed to the background giving way to the traditional paternalistic and socially oriented course of coaxing the electorate. Practically all complex and „inconvenient” issues of Russia’s development were postponed for the future. As a result there remains a certain likelihood that the inertia scenario of an administrative conflict of the two NPGs for the right to form the post-Putin executive power can be upset by some extra-system event, and one of the „supporting pillars” of the *Russian State „Transvaal”* will all of a sudden be partially fractured.

Lastly, these elites will have to resolve another important issue – what will be Vladimir Putin’s occupation on completion of his tenure as President. Each of the NPGs is offering its own variant of „employment” for the head of state – from the role of the leader of a party comprising the new president and members of the new

government to the position of the chairman of the board of a united state oil-and-gas corporation. Each of the elites has to convince Putin that it is its variant that should be the first choice. All this makes the coming year 2006 quite intriguing – it can bring the final name of Putin's successor to the presidential office, show which of the NPGs will have an upper hand in this protracted standoff, what will be the configuration of the new political system and the role in it of the incumbent head of state.

1.2. Russia's Power Structure

To understand the political processes in Russia in 2005 it is utterly important to single out the problem of the real power structure. Very often journalists appeal to such notions as „Kremlin”, „executive power” not being quite aware that, for instance, the Kremlin is a „multi-entrance” structure featuring most different groups with different interests and it is absolutely no use speaking of the Kremlin's single will.

By and large, *two main approaches can be distinguished towards attempts at structuring the Russian political elite*. The first is based on the assumption that the Russian political elite is of atomic nature, that each of the leading officials protects only its own interests and is ready to form only temporary unions. Groups, according to the proponents of this approach, are formed only to handle local tasks. While long-term unions are impossible, since the task of every official is to hold on to power as long as possible and maximize benefits from holding such an important office. Such an approach, essentially, dooms the political elite to the status of temporaries concerned only with having enough time to convert the administrative resources into a financial capital.

It appears that such an approach simplifies reality. The political process today is no longer the disorganized movement of officials driven by their own material benefit. It is a mistake to believe that the Russian elite is split and there are no coherent groups. It appears that *in reality the Russian political elite consists of nomenclature-political groups – coherent administrative unions formed by officials of close bureaucratic origin, with close ideological premises and strategic goals*. It is the non-institutionalized „invisibles”. They act as informal alliances, within which horizontal, not vertical, relations prove to be stronger (i. e. subordination relations within a particular institute of power) which are based on the fact of belonging to a single team of officials who can work at different government bodies.

By and large, *in modern Russia there have formed two nomenclature-political groups which may tentatively be called „Petersburg liberals” and „Petersburg*

siloviki”. And participants of these NPGs can have disputes between themselves on tactical issues. Often they conflict over individuals subjects. But strategically they act as a single team. They are united by the same goal – victory at the 2008 elections. And each of the camps offers its own variant of Russia’s development.

One may speak of an original ***Russian two-party system***. The fate of 2008 will be decided in the standoff of the two „parties” – „liberal” and „security”. Another thing is, however, that unlike in Western Europe and the US the activity of these „parties” is mostly non-public. At the same time, each of these parties – is not simply a clan of conspirers willing to make it to the throne – they offer their own way of the country’s development and their own project of Russia’s future. From this point of view, it is safe to say that each ***party has developed its own protoideology. Whereas the role of the electorate is played by Vladimir Putin*** – it is he who will have to make the choice as to which of the two political forces will clinch the victory and take over the country on a „turn key” basis. By and large, this choice for the incumbent head of state is quite dramatic – for „liberals” and „siloviki” form his closest entourage, and it is still very difficult for him to make the choice in favor of one of the NPGs.

Such segmentation of the political elite is quite typical of Russia. For example, in the 1996 elections there was a somewhat similar situation when the „siloviki” headed by director of the President’s security service Alexander Korzhakov fought against the party of extra-large business with Boris Berezovsky and Anatoly Chubais acting as its political managers. Truth to tell, however, then the elections were held in a public domain, Boris Yeltsin had an official opponent – Gennady Zyuganov representing the counter-elite – i.e. politicians, removed from the real control levers of the state and longing for revenge. Eventually the „siloviki” and „oligarchs” were fighting for the strategy of Boris Yeltsin’s election campaign. Then the victory was claimed by the „oligarchs” following which the entire „power” group was destroyed – on the same day its leaders – Alexander Korzhakov, vice-premier Oleg Syskovets and Director of the Federal Security Service Mikhail Barsukov were sacked. These groups also had serious differences in their views on the country’s future, however, they failed to form their ideology as clearly as it is happening now. But one detail makes these historic situations alike: just as in 1996, the winner now can get it all, while the loser will leave the political scene.

Thus the Russian model of an administrative two-party system differs from western standards not only in that they campaign for one voter who is to name the successor. Moreover, it is not the surname but the camp, which Putin will prefer, that matters; but also in that the loser will not be able to go into opposition and try to take revenge.

Therefore the stakes in the struggle are rather high. *The two elites are trying to implement their project of obtaining power and of the country's development after 2008.* And to win they need certain resources – financial, administrative, media. *He will be the victor who will accumulate the most important resource base and capitalize on these resources with maximum efficiency.*

Having said that, inside these camps intensive „internal party” struggle is on, some officials may gain weight, others, conversely, lose it. But again, *contradictions within one group should not be viewed as evidence of a split within this or other camp.* Rather, we are talking here of the emergence of a peculiar type of „factions”, situationally, tactically acting in their own interests. But strategically these „factions” will all the same act as part of a team. From this point of view, say, there can be contradictions between German Gref and Alexei Kudrin (for example, over the tax or budget subjects) or between Gref again and Dmitry Medvedev (say, over the problem of the merger of Gazprom and Sibneft). But, nonetheless Gref, Kudrin and Medvedev are much closer to each other, than, say, to Igor Sechin. That's why when fighting for the budget they may argue with each other, but in the struggle of the 2008 projects they will be on the same side.

The main political elites in the struggle for the possibility of implementing their corporate ideology keep rallying their ranks ever closer, gearing up for the decisive showdown over the issue of continuity of power in 2008. Therefore, ideology in Russia embodies wishes not of social groups but of corporations of officials united into informal but quite influential groups. In this respect, it does not matter who personally will be the President of Russia in 2008 (now gueswork on the surnames looks more like an ordinary lottery, since the „parties” themselves obviously have not determined who, after all, will be their „candidate” in 2008). Of much greater significance is which of the nomenclature-political groups will come out the victor in the struggle for the right to control the executive power after 2008, which project of the country's development will win.

It is worth noting that in the Russian elite there are officials who have not joined either camp so far. However, such tactics can only be temporary. As 2008 comes closer, their time to chose on which side they will campaign is running out. Such people include the President's aide Igor Shuvalov or prime-minister Mikhail Fradkov. Though the two camps are hardly interested in a union with Fradkov whose political career is most likely to last only until the election of the new president, who will no longer be such a symbol of the inter-elite compromise as the current government.

In the elites there is also a phenomenon of administrative deflectors, when officials try to change their camps. Eventually, one can observe the tossing and turning

of some ministers between the two camps – say, minister of natural resources Yuri Trutnev and minister of industry and power industry Victor Khristenko were long part of the „liberal” camp, but recently they could be suspected of dual loyalty – Trutnev, for example, suggested transferring the oil pipeline system to the authority of the „power” ministry of transport, while Khristenko is increasingly actively rallying for a large-scale budget financing of the state aircraft building corporation being formed with the direct participation of the President’s aide Victor Ivanov.

„Power” Project

The informal leader of the „Petersburg siloviki’s” group is the deputy head of the Presidential Administration Igor Sechin. It is none other than Sechin that is the main ideologist of the group. He also went down in history as the organizer of the „YUKOS” case and the engine of the redistribution of assets in the oil-and-gas industry. It is Sechin that lays claim to the role of the integrator of the subgroups existing within the power elite, using his position of one of the most influential men from Putin’s closest entourage.

People closest to Sechin can be called *„radical siloviki”*. It is they who are disposed towards the toughest redistribution of assets in the economy. This group includes the Prosecutor General Vladimir Ustinov, president of Rosneft Sergei Bogdanchikov (who gained control over a substantial part of YUKOS” assets), head of the Federal energy agency Sergei Oganesyanyan.

The second center of influence is the President’s aide Victor Ivanov responsible for the personnel policy of the executive power. Ivanov has interests both in the oil-and-gas industry (for example, he is quite close to the new CEO of Sibneft, Alexnader Ryazanov) and also in other industries – first of all, in the military-industrial complex and aircraft building industry. Ivanov is the chairman of the board of directors of Aeroflot. His close supporters can be tentatively called *„personnel men”*.

The third subgroup is the so-called *„Lubyanka men”* – above all, Director of the FSB Nikolai Patrushev who controls not only the FSB but also the MVD (Ministry of Internal Affairs) headed by his creation Rashid Nurgaliev. Patrushev and Nurgaliev are in a fairly serious conflict with Victor Ivanov over the control over MVD, but, again, it is a local – not strategic – confrontation.

The fourth group – *„power businessmen”* – is represented by influential members of the „power” elite, managing serious economic assets. First of all it is Minister of Information Technologies and Communications Leonid Reiman, president of OAO Russian Railroads Vladimir Yakunin, Minister of Transport Igor Levitin, head

of the Federal agency of nuclear energy Alexander Rumyantsev. Laying claim to the role of this group's leader is head of the Federal Drugs Control Service (Gosnarcococontrol) Victor Cherkesov.

At the same time, there is a number of major businessmen trying to take a position between Cherkesov and Sechin, having dual loyalty. These include the president of Surgutneftegaz Vladimir Bogdanov, Saint-Petersburg oil traders the Kovalchuk brothers and Gennady Timchenko. And Ryazanov again has active contacts not only with Victor Ivanov, but also with Sechin and Cherkesov.

The Defense Minister Sergei Ivanov can be called a „*liberal silovik*”, he is not a supporter of overly extreme expansionist ambitions of the power elite. Furthermore, he is too entangled in the problems of army reform and cannot be actively involved in the division of the „tastiest” economic assets.

The „power” project insists on the maximally full centralization of management resources, strengthening of the positions of the army forces and secret services, completion of the buildup of the power vertical and narrowing of the sphere of public politics. *In the ideological sphere, it takes as the basis great-power slogans in combination with Russian orthodoxy.*

The strengthening of the role of the Russian Orthodox Church (ROC) in the political life of the country is becoming quite conspicuous, and this trend is bound to be on the increase. In this case, the interests of the „siloviki” coincided with the devoutness of the President who, not having an ideological concept of his own, is internally ready for an „Orthodoxy – Power” quasi-ideology.

For instance, on November 17, 2005 the Patriarch Alexy II signed an agreement on cooperation between the Russian Orthodox Church and the Ministry of Internal Affairs with the head of the MVD of the Russian Federation. The new agreement declares the intention of the ROC and MVD to jointly solve the problems which have become vital in the recent years, first and foremost, to prevent the spread of terrorism.

Further centralization of power and cutting back on public politics meets the interests of the „siloviki”. Their technologies of dominance both in the political and economic space are based on shadow „control”. Public politics is viewed as a threat to the stability of the state; existence of political institutions independent of the state administrative machinery, such as the parliament is an indication of the weakness of power. Therefore the „siloviki” will be pushing Putin towards further administrative centralization, towards the course to „autarchy” – such a mode can be tentatively called a „symbiosis of the Central Committee of the CPSU and KGB”. In the Soviet system these two forces were in a permanent conflict with each other. For a short while Yuri Andropov attempted to implement a similar symbiosis but he stayed in power for too

short a time. For today's „siloviki” he is not by chance a symbolic figure: they consider Andropov's model (in the new conditions) as the most optimal and are seeking to make it real.

In the economy is expected a sharp increase in the role of the state which will assume the functions of planning, investing, redistributing national wealth as well as managing large property. A large-scale Keynesian project is expected when budget money is allocated among the artificially selected industries as well as the newly created extra-large corporations with the participation of the state. Such „champion-companies” are supposed to obtain dominance in the major economic industries and become the locomotives of economic growth. First of all, it applies to the oil-and-gas industry, metallurgy, military industry and mechanical engineering.

Besides, the state will assume the responsibility for large-scale national economic projects like the construction of new pipelines and creation of new weapons at the expense of the resources of the gold and currency reserves.

A very important point is the ***foreign policy doctrine of the „siloviki”***. Initially, in the foreign policy the „siloviki” suggested staking on the domestic forces to protect the „stronghold of Russia”. This image presupposes the existence of an adversary not only in the West as was the case in the Soviet period, but also from all sides. One of the responses to the growing number of geopolitical rivals is, first of all, neoimperialism and an attempt to restore the military and political clout in the CIS. With respect to the post-Soviet states the „siloviki” kept their orientation towards the restoration or, at least, maintaining of the „domains” of the former empire through pressure by traditional methods – raw material supplies, visa regime, military bases, control over ethnic groups in the territory of Russia.

However, gradually, the „siloviki” realized that all resources are important in the contest of the 2008 projects – including those of foreign policy. On top of that, in the case of failure in 2008 a range of most prominent members of the „power” elite may well think of emigrating from Russia.

Besides, the „siloviki” have totally ruined their image in the West – it is the „siloviki” that are accused of persecuting business, „KGBization” of the country, stifling of civil liberties. Curious in this respect is the detention in Bern of the former head of the Ministry of Nuclear Energy of Russia Evgeny Adamov after which the Swiss Federal department of justice made the decision to turn him over to the US. The „Adamov case” can send a message to the „siloviki” currently in control over the nuclear industry. They are given to understand that incriminating evidence and a cause for initiating criminal proceedings can always be found in the West.

Therefore, the „siloviki” don’t have a single potential ally left other than the countries of South-East Asia of which the most dynamic are China and India. From this point of view ***anything but haphazard is the sharp intensification of contacts with China and India*** along three directions – joint military exercise, new projects of arms supplies and cooperation in the oil-and-gas field. Large-scale joint military exercise were already conducted in 2005 and some more are still planned featuring the participation of the armed forces of China and India. But particularly significant is the situation in the oil-and-gas industry. The growth of oil supplies to China as well as the July agreements between Rosneft and Sinopec on the creation of a joint stock venture for geological exploration of the Veninsky block within the Sakhalin -3 project can be pointed out here. In 2006 Chinese companies can easily take part in the purchase of 49% of Rosneft’s shares.

The active lobbying of an eastern pipeline to the coast of the Pacific ocean is under way, its construction is actively obstructed by the „liberals” – since the development of the East Siberian deposits has not started yet, and at the first stage oil will have to be piped off from the export routes to Western Europe. While the „liberals”, in geopolitical terms, are clearly oriented to contacts with the West.

Gradually other „power” companies as well are beginning to develop the Chinese market – thus, in November 2005 Severstal entered into negotiations over the purchase of a stake in the Chinese state company Tonghua Steel.

The „siloviki” in turn can replace their „stronghold of Russia” doctrine by the BRIC concept – it presupposes that in the near future Brazil, Russia, India and China are becoming the economic development leaders. So far the main contacts are maintained with India and China, but Brazil may well be viewed as a power pole alternative to the US on the American continent. Tellingly, the intensification of contacts with Brazil is taking place exactly in those spheres which are dominated by the „siloviki” (aircraft building and space industry). Furthermore, Zarubezhneft, close to the „siloviki”, signed a general agreement with the Brazilian company Petrobras according to which in prospect Russia can get access to Brazilian hydrocarbons – we are speaking here of oil and gas production, as well as of the participation of Russia in the renovation of oil refineries in Brazil.

However, no specific decisions are in sight in this area so far. Moreover, the Russian aircraft manufacturers failed in the tender for the delivery of jet fighters to Brazil. But Brazil as yet does not feel inclined to get on the US’ nerves too much opting for Su-35 over the NATO-built Mirage 2000 C of France. Therefore the warming up of the „siloviki’s” relations with Brazil is anything but unlikely.

„Liberal” Project

The structure of the „liberal” elite is not homogeneous either. *Three major „factions” can be distinguished in it with the head of the Presidential administration Dmitry Medvedev laying claim to the role of their integrator.*

Medvedev is the leader of the subgroup of „*Petersburg*” *Lawyers*. Medvedev also holds the post of the chairman of Gazprom’s Board of Directors with the chairman of the Management Board Alexei Miller acting as his right hand. This „faction” is joined also by the Plenipotentiary of the President in the Southern federal district Dmitry Kozak, however, he found himself victim to a rather successful administrative combination of the „siloviki” who managed to persuade Putin into sending him to the Northern Caucasus, as a result he got himself rather seriously bogged down in its problems. Close to the „lawyers” are the head of the Government Office Sergei Naryshkin and General Director of the Federal property management agency Valery Nazarov.

The „Petersburg Economists” group features the Minister of Economic Development and Trade German Gref, Minister of Finance Alexei Kudrin, Vice-Premier Alexei Zhukov, Head of the Federal Antimonopoly Service Igor Artemiev, Chairman of the Board of RAO UES of Russia Anatoly Chubais.

The third „liberal faction” is the so-called „*Old Moscow*” *group* which formed from officials who held leading positions in the state yet in the period of Boris Yeltsin. The „Old Moscow” men were very closely associated with the „old” businessmen who pushed their commercial interests precisely through them in the years of Yeltsin’s rule. The „Old Moscow” men only in part have the same composition as the so-called „family” group – for example, businessman Roman Abramovich has long been helping the „power” elite, while many influential political figures are gradually leaving the stage (say, Alexander Voloshin, Valentin Yumashev or Mikhail Kasianov, who, admittedly, is trying to stamp his presence already as a counter elite). Truth to tell, though, the same Alexander Voloshin, thanks to Chubais’ efforts, remains the Chairman of the Management Board of RAO UES of Russia.

At the same time, Putin simply couldn’t replace a number of officials with his creations, and gradually they got quite effectively imbedded in Putin’s administrative system. Among these, we can name the head of the Presidential Administration Vladislav Surkov, President’s aides Jakhan Polykhaeva, Sergei Prikhodko, Larisa Brycheva, Sergei Yasterzhemsky.

From the large „old” business this group is joined by Mikhail Fridman and other Alfa-group owners, owner of Interros and Norilsk Nickel Vladimir Potanin, owner of the Urals mining and smelting company Iskander Makhmudov.

The „liberal project” provides for Russia’s entering the world post-industrial global economy. To get there the „liberals” far from suggest staking on the expansion of political liberties and public discourse. They simply see as the locomotive of the reforms not the „special services” and security agencies but enlightened bureaucracy in which they will manage to instill the best standards of conduct of the German and French schools of state administration. The „liberal project” also provides for maintaining the elements of self-government at the territorial level.

In the economy stakes are placed on the formation of the equal-to-all rules of the game, the observance of which is monitored by the state maintaining the arbitrator’s functions. The main task – is to create comfortable conditions for private investors including by means of persevering with the tax reform. Verbally as important tasks are declared the strengthening of small and medium-sized business as well as the diversification of the economy and breaking up with the country’s dependency on raw materials. However the presence in this camp of representatives of large raw material business prevents the „liberals” from forgetting about its interests – tellingly, even a fervent advocate of economic diversification, German Gref, has recently spoken publicly of an excessive fiscal burden on the oil-and-gas companies, understanding that today without the participation of large business it will be quite difficult to ensure stable economic growth.

In the foreign policy they are clearly oriented to the West – to the United States and European Union. It does not necessarily mean that they can be viewed as „agents of influence”. On the contrary, it is the liberals who are actively promoting the concept of „sovereign democracy” presupposing that the national elites will retain control levers of the political and economic social subsystems. ***The „Liberals” seek cooperation with the West but provided that their own interests are taken into account.***

All companies found in the zone of the „liberals” influence are holding quite intensive talks with their western partners over joint business. Thus, Gazprom has sharply intensified the negotiations over the construction of the North-European gas pipeline and development of Yuzhno-Russkoye field together with German companies as well as the implementation of the Shtokmanovskoye project jointly with American and Norwegian concerns. Besides, in the near future liberalization of the market of Gazprom’s shares will be started resulting in the lifting of the 20 percent quota on the ownership of shares in the Russian monopoly for foreign participants. Having said that, the state will maintain controlling interest in the company. The sale of minority (but not controlling) blocks of shares to western partners still closer binds the „liberal” group in the confrontation with the „siloviki”. For the „liberals” it is an additional resource.

Interestingly, Western business does not express excessively serious complaints to the Russian leadership over the problem of political risks in the Russian Federation, and certain pressure of the Western political circles over the problem of Russia's democratic development may only be viewed as an attempt to improve their negotiating position on the subject of entry of Western business into the Russian market.

Western partners – are also an insurance policy in the struggle for property redistribution with the „siloviki”. It is not by chance that Mikhail Fridman's Alfa-Group, Victor Veskelberg's Renova and Leonard Blavatnik's Access conceded 50% of shares of the oil company TNK to the British oil concern BP. Russian Aluminum sold the Samara and Belokalitvinsky plants to American Alcoa. Interros wanted to sell a large block of shares of Silovye Machinery to Siemens but the deal was thwarted by Igor Sechin. While Alfa in the summer openly offered to trade all its telecommunications assets for a minority stake in an international operator. Not accidental is also a sharp growth in Russia of interest in IPOs which enables a very profitable placement of companies' shares on Western exchanges.

Resources of the Two „Parties”

The 2008 elections are quite a serious project requiring a maximum concentration of resources. This is exactly the reason why Russia is experiencing a radical intensification of the process of property redistribution – for each of the nomenclature-political groups it is important to concentrate in its hands maximum financial resources. Moreover, each group is perfectly aware that by wresting some asset from its political rivals it not only adds to its own clout but also reduces the weight of its immediate rivals at the 2008 elections. It is the factor of elections that is the main stimulus to the redistribution of assets in the oil-and-gas sector. But similar battles are fought in other industries as well.

After Putin's coming to power the „siloviki” gained access to control over a range of large state assets. Among these we can first of all name Gazprom, Rosneft, railroad transport, nuclear industry, military-industrial complex. Their opponents from the „old Moscow” camp have maintained a part of control over „old” large private business (non-ferrous metallurgy, oil industry, mechanical engineering, air carriage). However neither the „lawyers” nor the „liberals” have received any property. As a result by the beginning of 2003 we had a situation when the „siloviki” began making claims to the transfer of control over large private concerns to them. While the „lawyers” and „economists” also expressed their claims to a part of the economic assets.

Vladimir Putin as the author of the system of „checks and balances” between the main nomenclature-political groups had to make concessions to both parties. The more so that both the „siloviki” and „liberals” made good use of the President’s fears. Say, the „siloviki” managed to convince Putin that Mikhail Khodorkovsky was plotting an „oligarchic coup” in the country, and the „economists” played on the fear of losing the territorial integrity of the country and insisted on starting the transfer of the ALROSA company from the influence of the Yakutian elites to the control of the federal center. In the end, *beginning from 2003 the struggle for property in Russia started gaining momentum and it is gradually taking the form of an accumulation of resources for the 2008 elections.*