

Russia Moves Towards Reclaiming Its Natural Resources Wealth

by Rachel Douglas

Will the ongoing prosecutors' offensive against Yukos Oil, and the related ouster of Alexander Voloshin as Kremlin chief of staff, foster a strategic shift in Russian economic policy and practice? That question underlies the flashier news of the moment in Russia at year's end: both the drama around Yukos' criminal troubles and its now suspended merger with the Sibneft oil company and the political skirmishes ahead of the Dec. 7 State Duma (lower house of Parliament) elections.

A reorientation of national economic policy towards national security interests, at the expense of foreign investors and domestic speculators, is consistent with President Vladimir Putin's having jettisoned Voloshin, a central figure in the so-called "Family" group that dominated Russia when Boris Yeltsin was in office.

Putin Defines 'Eurasian Nation'

Natural resources as an element of national security are the pivot of the potential change. President Putin expressed his distaste for overdoing concessions to the rules of "free trade," in a Dec. 2 address to a meeting held by Yevgeni Primakov's Russian Chamber of Commerce and Industry, with participation from the European Round Table of Industrialists and the Round Table of Industrialists of Russia and the European Union (EU). The President's press service highlighted his rejection of EU-backed demands for Russia to hike domestic fuel and energy prices, as a precondition for entering the World Trade Organization (WTO). Putin, who previously called these demands "arm-twisting," added on this occasion: "The lower prices on energy resources in Russia objectively reflect our natural competitive advantages, just as [there is] good weather in EU countries where agriculture is developed. And we do not consider it necessary to give up these natural advantages."

In the same speech, Putin stressed that he sees the efforts for Russia and Europe to share a "common economic space" as consistent with Russia's greater identity as a Eurasian power.

That Russia has *already* given up its natural advantages—to the fresh-baked compradors who became known as the "oligarchs" during the 1990s privatization of many industries, and to their foreign partners—is the argument made by leading patriotic economists. Among them are senior figures, like

ex-Prime Minister Primakov, who have the President's ear as respected advisers.

Primakov's View

In a Nov. 4 interview on Radio *Ekho Moskvy*, in which he assessed the departure of Voloshin as a good development, Primakov outlined what he considers some of the needed changes in economic policy.

Urging a step back from a Kremlinological way of analyzing the prosecution of Yukos ex-CEO Mikhail Khodorkovsky—the habitual national focus on "who's against whom up there at the top"—Primakov said: "Let's look at the background. There are 40 million people in the country who live in poverty, who live below the lowest subsistence level determined by the government. There are no jobs in small towns and settlements. People drink alcohol not because it's some national feature—that is nonsense—but because there is no job. Amidst all this, a small group of people has concentrated huge resources, and these resources have been going back and forth between Russia and other countries, and are not invested here in the manufacturing industry or other sectors, science, and technical progress. Instead this money gets stuck in the oil sector and doesn't really leave that sector.

"Several days ago, I read the latest issue of *Forbes* magazine," Primakov continued. "It listed the 100 richest people in China. Most of these people work with high technologies. . . . Others represent the automobile industry and construction. But in Russia it's only oil or gas.

"But why? Apparently these people have huge funds that they have acquired, not because of excellent management, but because they use resources that were given by God to all the people. And they pocket these funds. Twenty-seven percent—I have found this figure in the press—of their revenues turn into net profit in the oil sector, and 12-14% in the manufacturing industry.

"Now, this group of people; not all of them, of course—personally I think very highly of [Lukoil head] Alekperov and as a rule he does not do such things—so, this group of people uses various schemes to evade taxes. I have recently made a trip to the North, and everybody told me openly that most oil companies create subsidiaries. These subsidiaries are fully owned by these companies, but are registered either in special territorial zones where taxes are low, or in off-shore