

# Why Russia's Oligarchs Are Now Under Attack

by Jonathan Tennenbaum

The legal assault against multi-billionaire oil magnate Mikhail Khodorkovsky reflects a power struggle in Russia of strategic proportions.

On July 2, Russian police arrested Platon Lebedev, chairman of the financial conglomerate Menatep, the right-hand man of top Russian "oligarchs" Mikhail Khodorkovsky and Roman Abramovich, and major shareholder in Khodorkovsky's giant oil company Yukos. Together with Lebedev, who was charged with defrauding the Russian state of nearly \$500 million in a 1994 stock privatization, the Russian authorities also arrested Alexei Pichugin, a security chief of Yukos, for alleged involvement in two murders last year. Shortly thereafter, Khodorkovsky himself was summoned to the Russian Prosecutor's office for questioning.

At first these moves were commonly dismissed as mere political theater, a Kremlin attempt to create the popular impression—leading into parliamentary elections in December and next year's Presidential elections—that Russian President Vladimir Putin was determined to go after the hated oligarchs and to clear out corruption. The arrest of Lebedev was in fact preceded by the spectacular, televised arrest of Gen. Valentin Ganeyev, head of the security service of the Ministry of Emergencies, in a June 23 raid by 300 officers of the Federal Security Service (FSB) and Interior Ministry. Three days later, the Russian Prosecutor's office charged Liberal Party leader Mikhail Kodanov with organizing the killing of his party colleague Sergei Yushenkov in April.

Few, however, thought that Putin was prepared to go after the oligarchs in a serious way, and certainly not the prestigious Khodorkovsky, the richest man in Russia, with his high-level ties to political and financial circles in Britain

and the United States. The legal moves were seen as more a slap on the wrist than a real challenge—a message for Khodorkovsky to curb his growing activity as a financier of political parties competing with Putin's Unity Party, and to force him to be more cooperative with the state, including paying more taxes.

As the weeks of July went on, however, it became clear that the Russian authorities—with support from at least a powerful faction in the Kremlin—meant business. The billionaire Lebedev was denied bail and remains in jail, despite widespread protests, including from Prime Minister Mikhail Kasyanov, Presidential Economic Advisor Illarionov, U.S. Ambassador to Russia Alexander Vershbow, and Khodorkovsky's friend Lord Jacob Rothschild. Notably, Lebedev is not being held in an ordinary prison, but in the former KGB jail Lefortovo, now controlled by the FSB and normally reserved for high political crimes such as treason and terrorism.

As the Russian Prosecutor's office and the courts escalate their pressure against Khodorkovsky and Yukos, the stock value of Yukos has plummeted 20%.

Meanwhile, a chorus of economic liberals both inside and outside Russia is warning that the crackdown on Lebedev's illegal takeover of state property in 1994, might signal a shift in Putin's position concerning the whole process of "criminal privatization" in the early 1990s. At that time, a handful of upstart slick operators was able to seize control over the gigantic mineral and industrial assets of the country. While Prime Minister Kasyanov declared at a Cabinet meeting in July that "the results of past privatizations are irreversible"—a position Putin until recently backed up—Kasyanov was immediately contradicted by First Deputy Property Minister Alexander



*“Oligarch” Mikhail Khodorkovsky, Russia’s richest man. The oligarchs have emerged since the Iraq War buildup as a clear U.S.-British policy faction in Russia, driving both for Russian support of U.S. imperial wars, and for a special oil partnership with the likes of Dick Cheney’s Halliburton Corp. friends.*

Braverman in a televised statement. Referring to the Lebedev case, Braverman said he could not rule out a legal re-examination of ‘certain privatization practices.’ ” Minister of Economic Development and Trade German Gref acknowledged in a press interview, that a 10-year statute of limitations for challenges to individual privatization transactions has not yet expired for most major companies.

At a July 28 news conference, a spokesman for the Russian Prosecutor’s office publicly attacked Kasyanov by name, saying that the Prime Minister’s criticism of Lebedev’s jailing represented an attempt “to pressure the courts.”

Although President Putin has carefully avoided taking any public position on the Lebedev-Khodorkovsky affair, few people doubt that the actions of the Prosecutor’s office were planned well in advance and would not have occurred without a Presidential green light. In a July 18 interview with *Business Week*, Khodorkovsky was asked how he thought he could get out of his difficult position. He answered, “The only place I can go to complain is the President.” But Putin has remained aloof to Khodorkovsky’s demand for a meeting.

## Strategic Implications

There is no doubt now, that this affair reflects a real power struggle in Russia, which not only may determine the political future of that country, but has immediate strategic implications for the world situation as a whole. To put the

whole case in a strategic context, bear in mind the following points:

- The attack on Yukos and Menatep came just two months after the April 23 announcement of a merger agreement between the two Russian oil giants Yukos and Sibneft, which would give Khodorkovsky direct control over the second largest hydrocarbon reserves in the world (more than 19 billion barrels of oil and gas equivalent), smaller than Exxon/Mobil but larger than British Petroleum (BP), Chevron-Texaco, and the French TotalFinaElf. Yukos-Sibneft would thereby become by far the largest company in Russia, surpassing the natural gas monopoly Gazprom. The Yukos-Sibneft deal comes on top of the merger of the Russian petroleum giant Tyumen Oil (TNK) with BP, sealed at the beginning of this year, which was until now the largest merger in Russian history.

Taken together, the BP-TNK and Yukos-Sibneft mergers meant the concentration of a very large part of Russia’s petroleum resources—including virtually all of the reserves in the strategic East Siberia region—in the hands

of two giant companies, both tightly connected to Anglo-American financial interests. (It should be noted, that the major holders of Yukos stock—Lebedev’s Menatep and a company called Huller—are located offshore, in Gibraltar and Cyprus, respectively!) According to numerous sources, in the weeks preceding Lebedev’s arrest Khodorkovsky had been hectically flying back and forth between Moscow, London, and various U.S. locations, negotiating the sale of large shares of Yukos-Sibneft to “foreign investors.” These developments constituted a near-term threat of a drastic weakening of Russia’s control over its own strategic resources, as well as its economy in general.

- Khodorkovsky himself has made no effort to hide his function as a de facto Anglo-American asset in the Russian business and political world. On the board of his Open Russia Foundation, based in London and Washington, sit, together with Khodorkovsky himself, Henry Kissinger, Lord Jacob Rothschild, and former U.S. Ambassador to Russia Arthur Hartman. The head of Khodorkovsky’s London Yukos office is the infamous Lord David Owen.

Especially revealing is Khodorkovsky’s behavior following the arrest of Lebedev. The next day, he showed up in person at the Independence Day party held at the residence of the U.S. Ambassador to Russia, the neo-conservative Alexander Vershbow, openly complaining of Lebedev’s “mistreatment” by the Russian authorities. Immediately after that,

Khodorkovsky flew off to the United States, to a gala meeting hosted by Wall Street personality Herb Allen, where Khodorkovsky was photographed laughing and joking with fellow billionaires Warren Buffett and Bill Gates, as well as New York Mayor Michael Bloomberg. From there he flew to Washington, where he met with U.S. Rep. Tom Lantos (D-Calif.), Energy Secretary Spencer Abraham, and other unnamed Bush Administration officials.

- Most important, in the months leading up to the Iraq war, Khodorkovsky played the central role from the Russian side in an effort to break the French-German-Russian alliance against the war policy, and to bring Russia fully onto the side of the Bush Administration. Khodorkovsky has been the main Russian promoter of the concept of a U.S.-Russian “energy alliance,” in which Russia would guarantee oil supplies to the United States in the event of prolonged instability in the Middle East. While the Russian government was lured by promises of untold billions of dollars, on the U.S. side this idea was used to support the argument by Vice President Richard Cheney and the other warhawks, that the United States would suffer no great penalty in antagonizing and destabilizing Saudi Arabia and other former Arab partners. As late as March 13, less than a week before the bombs began dropping on Baghdad, Khodorkovsky, in an interview with *Business Week* entitled “A Russian’s Plea to Back America,” argued that “Russia should not miss its chance” for an alliance with the United States, by siding with the Europeans against an Iraq war.

From all of this it is clear that the attack on Khodorkovsky by the Russian authorities, and Putin’s conspicuous refusal to intervene on his behalf, have profound strategic implications, and cannot be dismissed as mere political show.

### What Is the Broader Policy?

There is much speculation about who initiated the move, who is backing it inside the Kremlin, and what policy lies behind it. Political sympathizers of Khodorkovsky have been pointing their fingers especially at two former FSB officers in Putin’s Presidential Administration, Viktor Ivanov and Igor Sechin. They belong to the faction known as the *siloviki* (the Russian word for police and security agency people), who seek to defend Russia’s national sovereignty and national interests against a takeover by foreign-connected oligarchs. Liberals are concerned that the *siloviki* are beginning to move for control in advance of a probable second Presidential term for Putin. The big question, however, is what policy they have for rebuilding the country. What role do they see Russia playing in world development? Are they orienting to



*Oligarch Boris Berezovsky, an “exile” being protected from prosecution by London residence, has long been exposed as working to force Putin to knuckle under to Anglo-American policy. Now Khodorkovsky and others are similarly suspected.*

LaRouche’s fight to change U.S. policy, and to create a new basis for U.S.-Russian cooperation?

Interestingly, the moves against Khodorkovsky were preceded by the widespread circulation earlier this year of a document warning against an attempted oligarchical takeover in Russia, and pointing the finger at Khodorkovsky in particular. Such a bloodless or “creeping” coup would involve a constitutional change, drastically weakening the central power of the Presidency, in favor of an easily manipulated facade of “European-style parliamentary democracy.” Implicitly referring to this document, Putin had commented that such a change would be “unacceptable and dangerous.” The document, analyzing the composition and activity of the Russian “oligarchy,” was co-signed by political scientists from a wide spectrum of institutions, including the Communist Party and the liberal SPS. Most fascinating, the document cited 17th- and 18th-Century Venice as the model for direct rule of Russia by a small group of comprador families. Although the terms “Synarchism” and “fascism” were not mentioned, the warnings contained in the paper are quite coherent with Lyndon LaRouche’s warnings of the danger of a worldwide Synarchist coup.