Chapter Five: Role of Capitalists in the Russian Political System.

5.0 Introduction:
When Russia emerged from the broken pieces of the USSR and donned the mantle of being its successor, it faced a power vacuum. Though Yeltsin emerged as the leader, there were various conflicting groups, be it in the parliament, in the regions, within the industries (both private and joint-stock), etc. This power vacuum along with different power centers juxtaposed with the creation of various institutions and enacting of legislations and presidential decrees, gave in to a perplexing situation. The opportunities were rife because of lack of transparency, vague laws, under-developed institutions and lack of efficient personnel. In all this confusion, few persons made good of the opportunity which included the emerging capitalist class. Some survived and some perished to join the ranks of lower strata of society or the medium or small entrepreneurs.

In the erstwhile USSR, the decision-making authority within the organizational structure, under its economic system was in the hands of the highest echelons of the hierarchical structure. It must be noted that being a command economy and following a Marxist-Leninist ideology, the political elite could not be differentiated from the economic elites. Therefore, role differentiation was limited. Post-1991, a differentiation had to take place as to who should be the part of the economic elite. However, here some might continue their presence in the political elite too. Moreover, the new class of entrepreneurs i.e., the business elite had to carve a new role for themselves. Therefore the chapter aims to understand the capitalist class that emerged within the confines of the political system of Russia.

The chapter more importantly will try to analyze the status of capitalist class as influential under Yeltsin, and the non-autonomous and limited influential aspect under Putin. This will also try to understand their bargaining power with the state and negotiating methods amongst themselves as a class. Deducing from Chapter 3 and Chapter 4, the hypothetical statement to be examined here is, the failure to unite as strong and consistent pressure/interest groups has weakened the position of capitalists for collective bargaining with the state post 1999'.
This chapter will deal with political structures like the political parties, interest/pressure groups and their lobbying methods. The research would like to understand the understudied or ignored aspect of this study i.e., the attitudes, the networks and actions specially the business or capitalists and their contemporary relevance both within the Russian political system and the global economy at large. In short, their role is being examined both within the state and their contribution to the world economic system.

5.1 Russian Capitalism:

Russian state has inherited the legacies of the Soviet past, out of which the significant ones are the shadow market and organized crime (Blom, 2002), coexistence of the economic and political elite within the Soviet economic organization, etc. This made it convenient for the Soviet political-economic actors to (Piirainen, 1997: 43) ‘carry their asset from the status-ordered society to market order and to convert them into new assets that are valid in the new environment.’ Piirainen phrases this as “conversion of assets”.

A transitional society, says Piirainen (1997: 26) in terms of the Russian society faces two problems—‘the tradition with shadow market’ and the second ‘the patrimonial legacy’. The type of privatization, the emerging power structure and systems of social security (Blom, 2002) determine the course a transitional society would follow over the years. The transition in Russia resulted in the creation of sharp social inequalities in terms of income, employment and general standards of living. Lack of state sponsored social responsibilities, i.e., social benefits, subsidies, services etc. led to the lowering of the living standards of the people, due to the instantaneous market reforms.

The Russian economy by the end of 1990s had 70% of the assets and employment in legal private corporations. Russia today meets the criteria of a capitalist country as its capitalist class is driven by profit motive, presence of labor market, private ownership, right of inheritance, freedom of enterprise and occupation, freedom of choice for consumers, price or market mechanism, etc. So it is a capitalist state whose economy is market driven. But if one is to deduce as to what kind of model it is, then categorizing it as the Continental Europe model or Anglo-Saxon model or Rhine model would be a gross mistake. Though it has some features of these models, it is important that the time period in which Russia entered the capitalist system be
considered. It was a late entrant when most of the capitalist economies were in their advanced stages of capitalism and especially market economy. In almost sixteen years, that is between 1992 to 2008 (the period considered for research here), no state can possibly take-off to a steady start or be a perfect market economy.

Russia moved from a primarily agrarian-feudalistic society up to 1917 to a command economy which spanned for 74 years. It was only in 1992, that it plunged into a market economy through the radical reforms of ‘Shock Therapy’ program. A sudden systemic change is bound to be riddled with crises, social disorder, and general confusion as this change has upset the earlier formed institutions and there is no sufficient time to create new ones. Moreover the people and the personnel in particular were not familiarized with the new system. Hence, it led to poor implementation of laws, reforms, and poor functioning of the legal institutions. Legal institutions and law add on as important factors of capitalism, especially to safeguard private property; safeguard shareholder rights, worker rights and provide better working conditions, regulate business associations and unions; regulate market, taxes, contracts, capital and labor; to curtail the formation of monopolies and encourage competition; ensure transparency and promote healthy business practices etc. The legal infrastructure and institutions are evolving within Russia and therefore, it will take time to definite shape.

Despite Russia meeting the key criteria for capitalist-market driven economy it has short comings. These short comings are in terms of competition, minimum government interference, a safe business environment etc. Nikula, (2002a: 133) in this regard points out that the Russian economy is not fully detached from politics, the country’s institutions and systems of regulation are very deficient, its labor markets are underdeveloped, etc. Regarding safe business environment, Russia is in no way at the top. According to the World Bank for its 2006 rankings for “ease of doing business in a country” Russia came 79th. The rankings are based on 10 criteria calculated and averaged for each of 155 countries: starting a business; dealing with licenses; hiring and firing; registering property; getting credit; protecting investors; paying taxes; trading across borders; enforcing contracts; and closing a business (Tax-news.com, 2005).
In terms of entrepreneurship there is a huge gender gap. (Nikula, 2002a: p. 137): The female labor force played a crucial role in building socialist societies. Today, women represent a huge potential for Russian society, but much remains to be done in order to achieve gender equality. The Russian labor markets are strictly segregated by gender. Women need support to promote female entrepreneurship, and barriers to upward mobility have to be removed. Melin (2002: 9) gives a picture on the gender specificities within Russian enterprises. He says that most of the managerial positions are occupied by men and 80% of the expert positions are filled by women. Two-thirds of all entrepreneurs are men. The only group in which there are the same numbers of women as men is that of supervisors. Regarding the working class, 75% are men and women comprise 66% of the work force. Elena Baturina is the only female entrepreneur who has made it to the list of world billionaires from Russia (see Table 4.6) in 2005.

5.2 Russian Capitalist Class:
The market economy in Russia and the market behavior (in the Weberian sense) are also still developing. As a result of all these changes there have emerged new social divisions. Tatiana Zaslavskaya (1997: 10-12) broadly described the social structure of the 1990s Russian society, on the basis of education and income, consisting of the upper, middle, basic and lower strata. The upper stratum consists of the ruling stratum—the elite and the sub-elite groups—which control the political and economic power structures. A middle stratum is made of businessmen, managers, bureaucrats and specialists. Two-thirds of the Russian society is made up of the basic strata that include the intelligentsia, white-collared and blue-collared workers. The lower stratum consists of the elderly, persons with lower education and the sick, i.e., people who have been adversely affected by the systemic change. The groups that do not form the fabric of the stratified society are the criminals, alcoholics, prostitutes, mafia, etc. The elite, comprises of only one percent of the total population (Blom, 2002) out of which are the Russian capitalists or the business elite.

A. Values Orientation, Attitudes and Networks of the Capitalists:
Higley et al. (2003: 20) are of the opinion that so far scholars have dealt more with the “reproduction” of Soviet-era elites in post-Soviet Russia or circulation of elites i.e., to know ‘the actual extent of elite circulation or reproduction from the Gorbachev to Yeltsin years’. Thus they
drew the attention to the paucity in conducting research on the ‘attitudes, networks and actions of elites’ (Higley et al., 2003: 21). The American corporate world is characterized by individualistic value orientation which manifests in the form of independence of spirit, creativity, and self-reliance. Values like individualism are missing in the case of Russian business elite. They are more dependent on the state and leadership.

Most of the capitalists are around 40 presently (Kryshtanovskaya, 1995). They were about to graduate from university when the Soviet Law on Cooperatives was adopted in 1988, which usually formed the real basis of their first enterprise. Almost all of them are engineers, and several are doctors of engineering, oil experts, economists, from the best schools in the Soviet Union, primarily in Moscow. Their social origins are mostly humble, and many of them come from the provinces, but the Soviet education system gave them the opportunity thanks to their outstanding mathematical skills. Initially, the dominance of Jews was striking, but the ethnicity of the oligarchs has become more varied. Nearly all the oligarchs manage huge companies. All but one of the Russian billionaires are men1 (Anders, 2007: 258-259).

The economic interest of the new Russian business elite determines its basic political values of statehood, patriotism, civil peace and accord, and monopoly domination (Kryshtanovskaya, 1996: 5). Over the years this monopoly domination is replaced by group of friends or strong business partnerships. Curiously, many oligarchic groups in Russia are run by tight groups of friends, typically school friends, suggesting a surprising degree of trust outside the family in that country. A consequence of this great trust among the Russian business partners if that several of the big enterprise groups generated multiple billionaires: Yukos 7, Alfa 3, Interros 2, Mechel 2 and so on (Anders, 2007: 259).

5.3 The Capitalist Class within Russian Political System:

David Lane (1988: 4) explains a society with pluralistic elites to a situation where no one group of people may form ruling elite: power is dispersed, and the relationship between the elite and the non-elite is not exploitative, it is based on trust and reciprocity. For this to take place the business structures along with the other organizations (outside the state structures) should

---

1 Elena Baturina is the single woman who has proved her mettle in Moscow real estate. She is also the wife of the Moscow Mayor Yuri Luzhkov.

188
bargain with the state from outside the power structures and not from within. This leads to weak and fragmented elite. Moreover, weak civil society is also harmful for the functioning of the state as it gives rise to unchecked power and arbitrary authority.

The aim of the chapter is to examine one of the units of the political and economic system that is the interest groups and the capitalist class respectively. A system is simply any set of interrelated parts. The parts may be objects, ideas, activities, or human beings. When these parts or elements are combined, arranged; or, united in such a manner that there exists some form of regular or recurrent relationships, then we have a system. The larger systems to which a given system belongs constitute its environment. The smaller systems contained within its boundary are its components, constituent parts, or subsystems. The relationships between a system's environment and its components, and the relationships among the components, uniquely determine the nature and character of the system. (Haitani, 1986). Haitani (1986: 79) defines political system as 'the complex of ideologies, institutions and processes of government and politics in a given society.' The political system comprises of various units. Out of which the important ones for the study here are business groups, business elite that comprise the personnel who perform the role, interest groups, etc.

Institutions like trade unions, political parties, pressure groups, associations, etc help the state to overcome problems of coordination and cooperation. These institutions enable the individuals and groups to interact with the state. So this chapter deals only with political parties, pressure groups and associations to only examine the political interactions. Due to the radical changes that were happening in the early 1990s, it was difficult to analyze the way these institutions were taking shape. Second due to the non-experience of these institutions as they were absent, coherent and established institutions could not be anticipated for some time to come. While examining these institutions, they include that time period of the tenure of two presidents, Putin and Yeltsin.

For the working class especially within the production system, the presence of institutional factors like trade union or class related organization is possible to concentrate the (that is, its) organizational abilities and positively affect its consciousness. The same cannot hold true for the business elite. They might be part of interest groups, employers' association, or cartels.
However, the factor of competition can disintegrate their interest to form a conscious group. However, the support and the degree of state intervention supplement this situation. If the support of the state is strong, then the business elite, (whatever might be their strength) is able to consolidate its interests unlike the workers. The Russian oligarchs chose Yeltsin in order to protect their property rights from re-nationalization or re-privatization, organized crime etc. However once the state support is withdrawn then the business elite is weakened, especially in the absence of a strong business organization or group, which happened in the case of capitalists under Putin.

First an examination of business elite within the government structures is being done:

A. Representation of Businessmen within Government and Vice-versa:
Vladimir Potanin was the first businessman and the first oligarch to who went to work for the government. He was given the post of first vice-premier for the economy and planning in 1996. He was supposed to establish long-term rules for the regulating Russian businesses and their relations with government. From August 1996 to March 1997 he served as First Deputy Prime, a post that meant that he was the number two man in the government. In January 1997, Potanin, in his capacity as first deputy prime minister chaired the Commission on financial, Credit, and Monetary Policy, where he was partial towards banks who were within the oligarchic circle.

Boris Berezovsky on October 29th 1996 was appointed deputy secretary of the Kremlin Security Council and was given responsibility for working out the settlement in Chechnya. In April 1998, the Council of CIS (Commonwealth of Independent States) Heads of State dismissed Ivan Korotchenya, a Belarussian citizen, as the Executive Secretary and appointed Boris Berezovsky, Russian national, to that position.

Business groups with a strong regional presence are also able to parlay influence into access to the national legislature. More so some of the businessmen from both the cities and other regions of Russia have been able to enter political institutions through elections as given in Table 5.1:
<table>
<thead>
<tr>
<th>Year of election</th>
<th>Name</th>
<th>Region represented/Postion held</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>Ilyumzhinov</td>
<td>Kalmykiya</td>
</tr>
<tr>
<td>1996</td>
<td>Yevdokhimov, Gorbenko, Butov</td>
<td>Murmansk oblast, Kaliningrad oblast, Nenetsk AOk</td>
</tr>
<tr>
<td>2000-01</td>
<td>Abramovich</td>
<td>Chukotka AOk</td>
</tr>
<tr>
<td></td>
<td>Khloponin, Zolotarev, Tkachev, Loginov, Darkin</td>
<td>Taymyr AOk, Evenkiya okryg, Krasnodar kray, Koryakskiy AOk, Primor’ye</td>
</tr>
<tr>
<td>2002</td>
<td>Shtyrov, Sovmen</td>
<td>Sakha (Yakutiya), Adygeya</td>
</tr>
<tr>
<td>1990-91</td>
<td>Mikhail Khodorkovsky of Menatep Bank, Yukos (oil)</td>
<td>Adviser to Yeltsin’s prime minister, I. Silayev.</td>
</tr>
<tr>
<td>1991-1992</td>
<td>Pyotr Aven of TNK, Alpha Bank</td>
<td>Minister of Foreign Economic Relations</td>
</tr>
<tr>
<td>1996</td>
<td>V. Kadannikov of AvtoVaz</td>
<td>First deputy prime minister</td>
</tr>
<tr>
<td>1996</td>
<td>Vladimir Potanin of Interros-Oneksim Bank,</td>
<td>deputy prime minister</td>
</tr>
<tr>
<td>1999 and 2000</td>
<td>Oleg Deripaska</td>
<td>Krasnoyarsk Krai</td>
</tr>
</tbody>
</table>
As early as 1991, Khodorkovsky had an office in the Russian government building, where he advised officials, especially Ivan S. Silayev, prime minister of Russia (Tavernise and O'Brien: 2003) before the Soviet Union's fall (Table 5.1). In a brief but crucial period in 1993, Khodorkovsky became a deputy to the energy minister, who was reorganizing Russia's oil industry into groupings that would later become companies, setting the stage for privatization; Alfred Kokh, the official responsible for running privatization, recalled that Prime Minister Viktor S. Chernomyrdin frequently called him about the sale of Yukos (Tavernise and O'Brien: 2003). Yukos director Leonid Nevzlin was selected as a Federation Council member from Moldova, while Vladimir Dubov, a major Yukos shareholder, entered the Duma in 1999 on the Fatherland-All Russia ticket and became chair of its tax committee (Rutland, 2006: 87).

High officials in the banks moved freely from their posts to work in government posts and the case has been same with that of those in bureaucracy and government officials (Johnson, 1997). For instance, after his firing in early 1997, the first deputy finance minister Andrei Vavilov became the president of the ONEKSIM Bank-controlled MFK; Alexandr Turbanov, the former vice president of Inkom Bank found a place on the party list for the party of Russian Unity and Accord in the 1993 Duma elections where upon he served in the Duma from 1993 to 1995 and then became a deputy director of Central Bank of Russia (Johnson, 1997: 350).

Similarly in February 1997, CBR (Central Bank of Russia) deputy director Rinat Setdikov resigned and went to work for SBS-Agro; Yelstins’s former press secretary Vyacheslav Kostikov became the deputy director of Media Most in July 1997; Leonard Vid, former executive director of Gosplan, became the head of the Alfa Bank’s board of directors in early 1996; Alfa’s Bank’s president Pyotr Aven was Russia’s Minister of Foreign Economic Relations until 1992 (Johnson, 1997: 350). Hence this gave rise to the free flow of valuable information from ‘insiders’ in the corridors of power to the holding companies. This was one of the causes why the holding companies could direct the political course of the government. It was thus state patronized graft that enabled the new capitalist class to become part of the top echelons of the Russian elite.

The capitalists either have directly got themselves elected to the office or have helped their agents to secure the office at the regional level or as deputies in the Duma. Berezovsky, won a
Roman Abramovich was elected as the governor of the Chukotka Autonomous Okrug. Abramovich not only infused his wealth to improve the region, but used his position to grant tax waivers and reduced taxes from the firms under Sibneft (Orttung, 2003). He owned the shares of Sibneft along with Berezovsky. Aluminium tycoon Oleg Deripaska, for instance, "captured" the government of the Krasnoyarsk Krai region of Siberia in 1999 and 2000. Deripaska won tax breaks, discounted rail-freight and electricity rates (Caryl, 2004: 32). Yury Luzhkov, while remaining as the mayor of Moscow city, has built his holding company the Sistema. Thus Orttung (2003) points out that today state-business interaction is taking place mostly at the regional level.

B. Business Interest Groups within Russia:
Lobbying is an activity aimed at influencing public policy making through personal contacts with legislators, bureaucrats, and their staff members. The most effective lobbyists are former lawmakers or those who are influential members of the target legislators’ constituencies. Lobbyists may or may be not salaried.

Interest groups, according to the *Oxford Concise Dictionary of Politics*, are organizations seeking to advance a particular sectional interest or cause, while not seeking to form a government, or part of a government. Interest groups may occasionally contest elections as a tactic to influence political parties, but they usually rely on a variety of campaigning and lobbying methods to influence government policy. Lobbying refers, according to the *Oxford Concise Dictionary of Politics*, to attempts to exert influence on the formation or implementation of public policy. Lobbying as an activity is carried out by a variety of actors ranging from interest groups through government relations divisions of large firms to foreign embassies. These pressure groups are formed usually outside the government structures (Seligman [1966]2005).

In the United States, many special interest groups engage the services of Washington law firms for their lobbying activities. Lobbyists monitor governmental activities that might affect their interests, attend hearings of congressional committees and regulatory commissions, testify before committee hearings, provide carefully researched background materials to targeted lawmakers,
organize letter-writing campaigns, and in general try to influence decision making of legislators and other public officials by having conversations with them in their offices, in expensive restaurants (at the lobbyists' expense of course), and at private parties. The most valuable targets of lobbying activities are members of Congress, particularly those in key committees. Lobbying toward bureaucrats is much less common. Because of the general absence of party discipline in voting behavior, lobbying the machinery of political parties is of little use and therefore seldom attempted. In pleading their cases, lobbyists make subtle (and sometimes not so subtle) references to the past voting records of their constituents, campaign contributions, and potential future benefits in votes and money (or their possible withdrawals) (Haitani, 1986: 216).

Under the Soviet period, 'interest groups' were not extra-governmental associations. The main aim of the interest groups is to direct their efforts to legislators, regulatory commissions, and executive agencies in order to influence government policy, legislative and regulatory action, and public opinion. In the Soviet Union, Haitani (1986: 104-5) says, 'interest groups are informal groups within the establishment that have interests in influencing the decisions made by other groups and by the topmost leaders of the establishment. He identifies three types of such informal groups: (1) the functional groups, which include party apparatchiki, economists, scientists, industrial managers, the police, the military, and so on; (2) the sectional groups, that is, government bureaucrats and party functionaries aligning vertically along industrial and ministerial lines; and (3) patron-client groups, which form strong personal ties of loyalty and protection around powerful party bosses.

During Yeltsin's stint as the president, most of the capitalists, especially the oligarchs often bargained within the state administration and not through the legislature or its committees. Russia's politico-economic landscape was transformed dramatically in the 1990s. In less than five years, one of the largest property transfers in history coincided with the tumultuous unfolding of Russia's proto-democracy. Russian capitalists took advantage of their new freedom of association, engaging in entrepreneurial collective action that included electoral intervention and interest group formation. Stanislav Markus (2007) asserts that throughout most of the 1990s, however, Russian business failed in its pursuit of both strategies.
The lobbying tactics of the Russian capitalists were only meant for personal interests under Yeltsin rule. They influenced the government not to let the foreign investors in the Russian market and saw to it that foreign investors did not invest majorly rather invested sufficiently so that these oligarchs could make use of the invested capital. This was true especially in the third phase of privatization within Russia in 1995. Under Putin they have lost the privilege of directly influencing the government on matters political and economic due to the exiles of Gusinsky and Berezovsky, and the imprisonment of Khodorkovsky.

Following are peak business organizations and groups within Russia: Russian Union of Industrialists and Entrepreneurs (RUIE), Federation of Commodity Producers of Russia (FTR), Association of Private and Privatized Enterprises (AChPP), Russian Business Round Table (KSBR), and the Chamber of Commerce and Industry (Gill, 2008). The FTR, created in 1992, represent the traditional large-scale heavy industry. However, since 1994, they have been replaced by the New Regional Policy faction within the Duma (Gill, 2008). Though the KSBR represented the interests of the new entrepreneurs, it declined in 1995 due to the death of its founder-Ivan Kivelidi (Gill, 2008). Some of them are dealt in detail:

(i) **Russian Union of Industrialists and Entrepreneurs (RUIE):** RUIE amongst all other interest groups has lobbied extensively for the interests of the business elite. It promotes the interests of business, both private and state-owned companies, factories, and foreign and Russian plants. The RUIE is the direct descendant of the Scientific-Industrial Union (SIU) founded in 1990 by a group of industrial deputies in the Supreme Soviet. Due to its extensive contacts with Soviet political institutions, it became very influential. These were provided in large part by Arkady Volsky, who became leader of the SIU later in 1990, who had strong links with industry. In 1980 he became economic advisor to Andropov. He was head of the Central Committee Machinery Building Department up to 1988. Leadership of the SIU would once again have given him a responsible position and proximity to key policy-makers.

RUIE first developed as a powerful alliance of Soviet-era enterprise directors that in the initial stages of the reform era lobbied for the retention of many price controls, continued access to
state subsidies and strict limits on foreign investment (McFaul 1993; Hanson and Teague 2005). By the mid- to late 1990s, it had begun to adopt a more pro-market orientation and to help organize a network of independent affiliates about which little has been written. Since the majority of the RUIE's membership consisted of state enterprises in the industrial sector, it showed its opposition to Gaidar's reforms (Rudkin, 1996: 642 and Åslund, 1995), especially the method. In 1992, Arkady Volsky in an interview supported the market reforms of the Russian government but stressed that 'an element of regulation—government regulation, or rather, state regulation—had to be introduced into the very process of changing over to a market' (Nezavisimaya Gazeta, 4 Nov. 1992: 1). In March, Volsky hinted at the creation of an industrial party. In April, Vladislavlev announced the foundation of precisely such a party with the creation of Obnovlenie or 'Renewal'.

However, for the next year and a half, the RUIE became one of the leading political forces in the Russian Federation. This was because of the foundation of the Civic Union, an organization that for many commentators became synonymous with the RUIE. The Civic Union was an alliance among three political parties and a number of social organizations, the most important of which were the RUIE itself and the Federation of Independent Trade Unions (FITU). The three parties involved were Obnovlenie itself, Russian vice-president Aleksandr Rutskoi's People's Party of Free Russia (PPFR) and Nikolai Travkin's Democratic Party of Russia (DPR) (Rudkin, 1996). It was the RUIE's entry into politics through the creation of Obnovlenie that led to this change of emphasis in the RUIE's tasks from lobbying and services to political tasks. The civic Union got defeated in the 1993 Duma elections.

In 2000, RUIE's leadership was enriched by the so-called oligarchs: the tycoons' membership converted the RUIE into an uneasy but powerful alliance between reformist corporate capital and traditional industrialists. After 2000, RUIE has engaged in sustained top-level policy work, achieving immense prestige in the economic policy community, especially in October when Putin officially announced it to become the interface between the business community and the executive office (Markus, 2007). While in the 1990s business associations depended on under-funded public institutions for conducting modest economic analysis, the RUIE now relies on its
own well-staffed Expert Institute; in advance of the 2004 presidential election, over one hundred professional experts were working on an economic program to be advocated by RUJE (Markus, 2007).

In the Yukos case, RUJE wrote three official letters to Putin who declined to "bargain" about Khodorkovsky, but indicated his continuing support of organized business by attending the 13th RUJE Congress in November 2003. The exertion of administrative pressure on single magnates and the state support of business associations are not mutually exclusive. Interestingly, while Khodorkovsky's arrest has been linked to the tycoon's support of Yabloko, an opposition party (Goldman, 2004; Rutland, 2000), Union of Business Associations of Russia (OPORA) openly cooperated with Yabloko without triggering any inquiries from the administration (Markus, 2007).

Like RUJE becoming a part of the Civic Union alliance to contests elections, there were other groups who formed parties too. Our Home is Russia was dubbed as the “party of power” or “party of fuel and gas complex”. This was because its founder Viktor Chernomyrdin was a minister of oil industry under the Soviet Union and later became the head of Gazprom. He lobbied for its interests of state-owned industries through his political party, especially Gazprom. There was no lack of enthusiasm for party building among business forces in the parliamentary electoral campaigns of 1993 and 1995. The parties (including Renewal, Civic Union, Entrepreneurs for a New Russia) presented themselves in the broadest terms, yet were rejected by voters as industrialist vehicles. Rutland (1997: 16) says the lobbying process is highly opaque, fragmented, and disorganized. Despite the creation organized interest groups such as Union of Oil Industrialists and the Russian Manufacturers Federation, their influence generally has been weak and sporadic. Business groups have contributed to political parties and parliamentary factions, but no clear pro-business party organization has emerged—despite the strenuous efforts of figures such as Arkady Volsky (Rutland, 1997: 16).

(ii) **Union of Business Associations of Russia (OPORA):** Exclusively aimed at small and medium enterprises (SMEs), OPORA, with its 64 regional centers, is the rising star on the
lobbyist horizon. Founded by 50 associations uniting 850,000 firms in September 2001, the organization opened its doors to individual firms in 2003. Combating the administrative harassment of entrepreneurs constitutes OPORA's prime mission, along with improvement of the banking infrastructure. The association also provides expert consultation (on taxation, licensing, etc.) to member firms, participates in drafting legislative proposals, and runs international programs in conjunction with several government ministries. OPORA has established itself as the prime interface for the exchange between governmental structures and the SMEs. OPORA's nine sectoral working groups (services, retail, agriculture, etc.) have institutionalized their communication channels with the Ministry of Economic Development and Trade, the Ministry of Finance, and the Committee on Customs. (Markus, 2007: 6-7).

(iii) Financial-Industrial-Groups (FIGs): While explaining the semantics related to the concept of "business groups", Granovetter (2005: 434-5) explains six variations in the form of business groups, out of which two are found in the Russia market economy. One variation according to Granovetter is relation of groups to the state. Business groups' autonomy in relation to the state runs the gamut. Some groups are assembled by the state from state-owned firms. This was mostly the case under Yeltsin. The loans-for-shares program of 1995 given into the creation of FIGs within Russia (Chapter 3).

Second is the role of financial institutions wherein many but not all business groups include among their member firms one or more banks or nonbank financial institutions (such as insurance companies). There is great variation in the power position of such financial firms within and beyond the groups. Johnson (1997) notes that although Russian groups are known as "financial-industrial groups" (FIGs), the main banks in some of them were clearly subordinate to industrial firms with which they allied. With 'loans for shares scheme' the oligarchs were able to branch out and increase their holdings and invest in subsidiaries. Therefore, their holdings were turned into bank-led financial-industrial groups (FIGs).

Oligarchs or the FIGs political supporters over the years have included a number of Russian governmental agencies, political parties, and lobbying organizations such as the Ministry of
Industry, the Ministry of Economics, Civic Union, the Communist Party, Alexander Lebed’s Congress of Russian Communities, the Russian Union of Industrialists and Entrepreneurs (RUIE), the Union of Manufactures and the League of Defence Enterprises (Johnson, 1997). The cooperation during the presidential elections, the consortium that proposed the shares-for-loans auctions are the successful efforts (Johnson, 1997: 354).

If the oligarchs were threatened as a group then they would unite putting aside their differences. This was the case when they pressurized Yeltsin to accept their campaign team and the political operatives because they wanted Yeltsin to win under whom they had come in control of vast wealth. Berezovsky and Gusinsky were arch rivals because the former wanted to control NTV and the latter was interested in securing the shares of Aeroflot (airline) Company. However they both gave up their rivalry to fuse their media aids to help Yeltsin in campaigning by giving more air time, by devoting the front pages of the newspapers, etc.

But when the interest of one or two oligarchs collided with any others, then they would pair in order to denounce the rival. When Gusinsky failed to win the bid for the Svyazinvest telecommunications, he and Berezovsky jointly criticized Potanin (the winner) and the privatization chief of ‘loans for shares’ Alfred Kokh for advance book payment of $100,000 (Hoffinan, 2002). Mostly the ‘loans for shares scheme was the brain child of Vladimir Potanin and agreed to by the rest of the oligarchs. It was already decided as to who will get what and to bid at what rate.

In January 1996, supporters of industry-led FIGs created a lobbying association under Soskovets leadership, the Association of Financial-Industrial Groups, which stated that its main objectives were to defend the legal rights and interests of its members, to participate in drafting new legislation on FIGs, to coordinate the FIGs’ economic activities, to help establish new FIGs, and to represent the Associations interests to the government (Johnson, 1997).

During the first years of the transition, banks had little reason to invest heavily in industry and hence focused on acquiring enterprise in consumer goods, construction, textiles, chemicals and other kind of light industries in which they could gather significant packets of shares. During this
process the banks found that their evolving FIGs served many useful purposes for them, providing a bank guaranteed enterprise customers, tax havens, less uncertainty in lending, and enterprise revenue with which to carry out short-term financial dealings (Johnson, 1997). Moreover, it is the largest Russian banks that act as credit-financial institutions taking part in the FIGs (Makrushenko, 1998).

The bank-led FIGs have also taken various measures to limit the influence of foreigners in Russian financial markets; in particular, they lobbied to restrict the foreign banks' activities in Russia, to limit foreign participation in the GKO market, and to keep the foreigners from acquiring controlling stakes in many privatizing Russian companies (Johnson, 1997: 352-53). In the first instance, the big Russian banks were extremely successful in pushing through the legislation limiting the number and scope of foreign banks in Russia while they built their own financial empires and client bases. They convinced Yeltsin, for e.g., to promulgate a November 1993 decree prohibiting foreign banks from working with Russian customers unless they had already been doing so, a decree that was fully repealed only in April 1995.

(iv) The Chamber of Commerce and Industry of the Russian Federation (RF CCI): Like these RUIE affiliates, the RF CCI draw their membership from many different sectors of the economy. Regulated through a special 1993 law that guarantees their independence from state bodies, the RF CCI network traces its roots to a communist-era institution that promoted commercial ties with the noncommunist bloc.

The Chamber of Commerce and Industry of the Russian Federation (RF CCI) represents the interests of small, medium-size, and big business and it encompasses all business sectors – manufacturing, domestic and foreign trade, agriculture, the finance system, and the services. It goal is to promote the growth of the Russian economy and its integration into the world economic system and it provides favorable conditions for the advancement of all business sectors. Following are the important objectives and lines of activity of RF CCI:

- Contributing to the development and large-scale application of innovations, modern

---

technologies and also promotion of the knowledge-driven economy;
• Representing and protecting the business community's interests in government agencies and local authorities;
• Active participation in drafting of laws and other regulatory acts affecting the interests of entrepreneurs and establishing an efficient system for independent expert analysis of such legislation;
• Participating in building up and development of business service infrastructure, broadening the sphere of the services rendered to businesses by the Chambers, enhancing the quality of these services and make them more accessible to businesses, nongovernmental and government agencies, and municipalities;
• Establishing and cultivating links with foreign partner organizations and business quarters, and international business organizations;
• Assisting in efficient and constructive settlement of civil law disputes by developing various forms of arbitration proceedings;
• Promoting of goods and services produced by Russian businesses on the domestic and foreign markets;
• Encouraging the principles of civilized conduct of business and social responsibility in the business environment;
• Formation of a positive image of Russian producers of goods and services.

The Chamber of Commerce comprises of over 70 major companies delivering efficient performance in the key leading sectors of the country’s economy and about 40,000 enterprises and organizations in various ownership categories. The Chamber of Commerce and Industry of the Russian Federation gives practical assistance to Russian business councils formed jointly with foreign countries. The Chamber of Commerce and Industry of the Russian Federation is a member of the International Chamber of Commerce, the World Federation of Chambers of Commerce, the Euro-chambers, the Council of the Chairmen of Chambers of Commerce and Industry in CIS Member Countries, and other international and regional organizations.

The Chamber of Commerce and Industry of the Russian Federation provides the following services: expert examination of goods; appraisal of property; holding of exhibitions and fairs; intellectual property protection; information services and legal
consultations; keeping of nongovernmental registers of experts in goods inspection and property appraisal, and the Reliable Partners Register; verifying of force-majeure circumstances; execution of documents related to international economic activity; and accrediting of foreign firms.

Apart from these peak business organizations, Gill (2008: 170), lists out other business organizations, on a sectoral basis:

- **Financial sector:** Association of Russian Banks (ARB), Association of Small Banks (AMB), Moscow Bank Union (MBS), Association of Small and Medium-Sized Banks (AMSB), Association of Joint Stock-Commercial and Industrial-Construction Banks (AAKPSB), Association of Hard Currency Exchanges (ARVB), the Federation of Fund Exchanges of Russia (FFBR), Association of Cheque Investment Funds (AChIF), All-Russian Union of Insurers (VSS).

- **Industrial sector:** League for Assistance to Defence Enterprises (LSOP), League of Defence Enterprises (LOP), League of Industrialists and Commodity Producers (LPT), Union of Machine Builders (SM), International Metallurgy Union (MCM), International Union of Builders (MSS), Russian Diamond Union (RAS), Gold Industrialists Union (SZ), Union of Timber Industrialists and Timber Exporters of Russia (SLLR), Union of Aluminum Producers and Exporters (SEAPR).

- **Fuel and energy sector:** Union of Oil Industrialists of Russia (SNPR), Association of Economic Cooperation (AEV), Oil and Gas Industrialists Union (SN), Union of Oil Exporters of Russia (SNR).

Most of these sectoral organizations, Gill (2008) says, provide advice and assistance to members, provide discussion forums, etc. However, they are not effective. In spite of having good number of organizations that sum up to being called members of the civil society\(^3\) acting outside the state apparatus, Rutland (2006: 74-5) draws the attention to the fact that the ‘rule of law is exceptionally weak, and the state is able to exert strong influence over the conduct of most social actors.’

\(^3\) Civil society broadly refers to ‘organized groups representing social interests that are independent of the state and may pose a check on its power’ Rutland, 2006: 73).
C. Lobbying Methods:

Mostly businessmen communicate their opinions through Arkady Volsky’s Russian Union of Industrialists and Entrepreneurs (RUIE). This organization has undergone several “reinventions” since 1991, with Volsky continually seeking to bring together enough business leaders to make his organization a major player. In 2000, at Putin’s suggestion, he succeeded in including many of the oligarchs, creating a revised council combining big business with representatives of some medium enterprises. At times RUIE speaks with one voice; at other times, Volsky resorts to Soviet-style lobbying on behalf of proposals that not all members would support (Balzer, 2003: 210). He even in 2003 urged the parliament to approve a law barring any review of privatization’s that took place more than three years ago.

The successful lobbyists use variety of means to influence policy like relying on personal ties between managers and state officials to broad-based media campaigns. However since the presidency of Putin, the media is controlled by the state. The media seemed to enjoy certain amount of freedom from state censorship as most of them were private owned. Since post 2000, they are controlled more by the state and hence, influencing policy through media has become a dangerous means. Lobbying strategies that rely primarily on personal ties tend to indicate strong patron-client relations between business and the state. This was more so during Yeltsin’s presidency. Moreover due to their help in the 1996 elections the wealth of the oligarchs was welded with power. They got more access to the corridors of power, the Kremlin connections, information etc enabled to lobby within the government better. Unlike other “pressure groups” attempting to influence decision-making mechanisms from the outside, these acted as “internal lobbies,” and as such a component or even an integral part of the government structures (Zudin, 2000: 6). Even it was the same during Putin presidency. But the difference is that the autonomy or freedom was better enjoyed when compared to the latter’s rule.

A lobbyist is one professionally employed to lobby on behalf of clients or who advises clients on how to lobby on their own behalf. Lobbying refers to attempts to exert influence on the formation or implementation of public policy. This activity is carried by a variety of actors ranging from interest groups through government relations, divisions of large firms to foreign
embassies. Those lobbyists functioning as professional intermediaries, such as political consulting firms or lawyers specialising in offering political advice are sometimes referred to as contract lobbyists as distinct from “in house” lobbyists employed by firms or interest groups.

Lobby is often called the “Third House”. It is a study of the institution through which the influence is brought to bear upon legislators and administrators. The practice of lobbying originated in the United States of America. The ‘Robber Barons’, to name a few—Collis Huntington, Jay Gould, Jim Fisk, Jay Cooke, Daniel Drew, Pierpont Morgan, John D. Rockefeller, Andrew Carnegie, Cornelius Vanderbilt etc—were also called the ‘Captains of Industry of United States. They were notoriously known for hiring the ‘lobbyists’ to put forth their interests and influence both the Congressmen on legislation on public policies and the administrators.

In those times of the 19th and early 20th century, the lobbies in the United States were held in disrepute. The general feeling among people was that the lobbies were the special creation of “big business interests” which use it to procure or defeat legislation. It was held responsible for much of the legislation which was not enacted in the public interest. Its methods were rightfully questioned. It involved buying the votes in the Congress, to bribing the essential legislative committee members, fielding candidates backed by the capitalists or funding the election of representative candidates willing to do the biddings of the capitalists, media campaign, etc.

The law Wisconsin state of the USA in 1915 [Wisconsin stat. 1915, sec. 4482 and 4482a]\(^4\) defined the practice of lobbying as service which has for its purpose influencing any member of the legislature to vote for or against any measure, such service being performed by legislative counsel or agents employed for compensation and representing pecuniary interests of individuals, associations, or corporations as distinct from those of the whole people of the state. Services include influence exerted by appearances before the regular committees, or by newspaper publications, by public addresses, by written or printed statements, arguments or briefs delivered to members of the legislature.

Logan and Paten Fellow (1929: 3) give a comprehensive definition. For them lobbying includes activities of a person or body of persons who attempt to influence legislation in any way whatsoever. It includes activities whether for pay or not. It need not be in connection with legislation which affects the pecuniary interests of persons or organization. The activities may or may not appeal to the reason of the legislators. All activity is included regardless of where it takes place so long as its purpose, either immediately or ultimately, is to influence legislative or administrative action. It includes activities of all nature whether they be above board or concealed, legal or illegal, proper or improper. Hence the word "lobbyist" is given to individuals, associations, and organizations who engage in attempts to influence legislation.

In contrast to the United States and other countries, Russia experienced lobbying activities only in rudimentary form since the perestroika period. However an overall examination of the interest groups of the business elites needs to be made generally to understand the present scenario. Timothy Frye (2002: 1017-18) uses an original survey of 500 firms conducted in October and December 2000 in eight Russian cities to understand business lobbying. VTsIOM, the All-Russian Centre for the Study of Public Opinion, surveyed firms in eight cities of Moscow, Nizhny Novgorod, Novgorod, Smolensk, Tula, Voronezh, Ufa and Ekaterinburg. In his findings, he emphasizes on three points: the continuing importance of the Soviet legacy; reliance on personal ties rather than organizations; and the capture of state-decision-making bodies by powerful economic interests. He assesses both the percentage of influencing legislation on public policies (Table 5.2) and methods of influencing the same (Table 5.3).

To assess the extent to which successful lobbyists used different tools to influence policy the question asked was: 'If your firm seems to influence laws or other normative acts that are important for your firm, then how do you do it?' Respondents were given a list of options and the responses of only successful lobbyists are reported in the Table 5.2:
Table 5.2: Influencing Legislation (%):

<table>
<thead>
<tr>
<th>Can influence Legislation</th>
<th>Federal government</th>
<th>Regional government</th>
<th>Municipal government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Almost never</td>
<td>88</td>
<td>83</td>
<td>.76</td>
</tr>
<tr>
<td>Sometimes</td>
<td>11</td>
<td>15</td>
<td>19</td>
</tr>
<tr>
<td>Almost always</td>
<td>1</td>
<td>2</td>
<td>5</td>
</tr>
</tbody>
</table>

Table 5.3: Methods Used by Successful Lobbyists

<table>
<thead>
<tr>
<th>Method of lobbying</th>
<th>Firms using this method (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct consultations with city administrators</td>
<td>52</td>
</tr>
<tr>
<td>Organisation uniting interest of entrepreneurs</td>
<td>50</td>
</tr>
<tr>
<td>Direct consultations with the oblast administrators</td>
<td>38</td>
</tr>
<tr>
<td>Direct consultations with the mayor</td>
<td>33</td>
</tr>
<tr>
<td>Mass Media</td>
<td>33</td>
</tr>
<tr>
<td>Direct consultations with the oblast Duma</td>
<td>27</td>
</tr>
<tr>
<td>Direct consultations with the city Duma</td>
<td>27</td>
</tr>
<tr>
<td>Rely on influential individual</td>
<td>23</td>
</tr>
<tr>
<td>Direct consultations with the Governor</td>
<td>20</td>
</tr>
<tr>
<td>Union organisations</td>
<td>16</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
</tr>
</tbody>
</table>

|                                                   |                             |
|                                                   | (0.50)                      |
|                                                   | (0.50)                      |
|                                                   | (0.49)                      |
|                                                   | (0.47)                      |
|                                                   | (0.47)                      |
|                                                   | (0.44)                      |
|                                                   | (0.45)                      |
|                                                   | (0.43)                      |
|                                                   | (0.40)                      |
|                                                   | (0.36)                      |
|                                                   | (0.21)                      |

Note: Mean responses, with standard errors in parentheses.

Source: Frye, 2002: 1028

Many firms relied on direct contacts with state officials, such as the governor, the mayor or representatives of the regional Duma or administration to press for advantages for their firms. These results confirm the widely held view that personal ties are an essential element of lobbying in Russia. It should be noted that business groups or professional organizations were utilized to influence legislation by the successful lobbyists. This disproves the view that business associations or professional organizations have little influence when it comes to influencing
legislation on public policies. More over the high number of successful lobbyists that use business associations or professional organizations to promote the interest suggest that lobbying may be more institutionalized in Russia then is in most commonly thought. William Pyle (2009) convinces in his work on organized business that the business community collective action, that is, appears to serve as a substitute for political competition in securing firms’ property rights. Even the Russian capitalists have been able to protect their property rights through the various business associations mentioned above.

However, the business elite have extensively used the members of the Duma apart from personal approaches with the Kremlin. Through the policy committees, it has sought for tax incentives, ‘production-sharing agreements, budgetary appropriations, licenses of various sorts, and generally preferable decisions’ (Gill, 2008: 165). Rutland (2006: 81) in his analysis says Yukos was active in buying the loyalty of Duma deputies, and it did not hesitate to use its leverage to block legislation that it disliked, such as higher oil excise taxes and revisions to the law on production sharing.

D. Lobbying under Yeltsin and Putin:
To a certain extent Marx was right when he said that the individual self-interest among capitalists as destructive of their class interest in general, and as leading to the ultimate self-destruction of capitalism. This prediction can be a possible reality as most of the time the capitalists seek their own self-interest. However during times of crises, the state has intervened or the capitalists have colluded to overcome the same.

Governmental officials saw Financial Industrial Groups (FIGs) as a way to direct state investments, promote foreign investments in Russian industry, achieve economies of scale, and gain competitiveness on the world market. Oleg Soskovets, first deputy prime minister until June 1996, particularly advocated this view. In January 1996, supporters of industry-led FIGs created a lobbying association under Soskovets leadership, the Association of Financial-Industrial Groups, which stated that its main objectives were to defend the legal rights and interests of its members, to participate in drafting new legislation on FIGs, to coordinate the FIGs’ economic
activities, to help establish new FIGs, and to represent the Associations' interests to the government.

The state did act at all levels to pass legislation promoting FIGs. Numerous decrees, regulations and laws spelled out in glowing terms what FIGs were what they could do for the economy and what benefits the FIG members would receive. The state promised registered FIG participants tax breaks, the transfer of state shares in member companies to the FIGs, government loan guarantees, lower reserve requirements for participating banks, privileged involvement in state investment projects and other booms. The capitalists in Russia have colluded and at times they have cooperated. There have been occasions when some or all of the bank-led FIGs have colluded with each other for both political and economic gains. The cooperation during the presidential elections, the consortium that proposed the shares-for-loans auctions are the successful efforts. They influenced the government not to let the foreign investors in the Russian market and saw to it that foreign investors did not invest majorly rather invested sufficiently so that these oligarchs could make use of the invested capital.

The unity which the oligarchs had displayed was no more to be seen. The Svyazinvest deal shattered the unity amongst them. Gusinsky and Berezovsky paired against Potanin. Out of seven or eight business groups that dominated Yeltsin's Russia (Group of Seven) two (SBS and Inkombank) were destroyed by the 1998 crisis (August 17, 1998, the ruble crashed heavily that it was no more fixed, rather had a free fall) one was Smolensky and the other Vinogradov respectively (Guriev and Rachinsky, 2005: 135). This deal caused conflict between the oligarchs and the government. In order to quell it Yeltsin called a meeting with the bankers on September 15, 1997, at the Kremlin. Those in attendance were Mikhail Fridman, Alexander Smolensky, Gusinsky, Khodorkovsky, Vinogradov and Potanin. He wanted to make clear to the oligarchs that they cannot expect continual discounts from the state treasury; business was to be separated from the government (Yeltsin, 2000: 96). In short, there would be a financial oversight from the government side.
However this ‘compromise’ was agreed to only within the Kremlin walls. The oligarchs did not give up their hostilities neither for the smooth functioning of the government or for the sake of liberal democracy for which they had fought unitedly during Yeltsin’s campaign. After the Svyazinvest affair, both Berezovsky and Gusinsky paired together and started an onslaught on the government. It was decided by Boris Nemtsov, Anatoly Chubais, and other vice-premiers of Yeltsin decided that Berezovsky to be dismissed from the post of Security Council. In November 1997, he was dismissed. This instigated Berezovsky to launch a fresh assault on Chubais.

Chubais fell from grace with book scandal. The book “Privatization in Russia” was authored by Chubais, Oleg Boyko, etc. The contract for the book has been quietly filed at Segodnya, a publishing house (Hoffman, 2002). According to the contract all the authors were to receive $90,000 each as an honorarium. The public reacted to this scandal as a case of bribe and graft. This scandal led to the resignation of the entire Chubais team from both the presidential administration and the White House. Chubais was removed from the post of minister of finance, but remained as a vice-premier.

The reasons for not bargaining collectively by the Russian capitalists are, one, the mad rush to grab the choicest state asset. Two the lack of such culture, institutions and experience. Third, post 1996 elections enabled the capitalists to have direct access to corridors of power. This did not necessitate the formation of a formal structure to lobby from outside the government structures. The direct negotiations eroded the nascent collectivity demonstrated during the 1995 loans for shares consortium and the 1996 presidential elections.

In June 1998, the capitalists realized the need for a conclave or council of major entrepreneurs for constructive action to boost the Russian economy. This council included both the bankers and the executives of industrial companies. This was to consolidate big business and to look into the industrial policy in relation to the tax system, bankruptcy procedures, in favor of foreign companies, up-to-date legislation etc. to bring the country out of the crisis. This was to act as a kind of council of experts.
All the concerns were incorporated in the form of an appeal, “Appeal\(^5\) by Representatives of Russian Business”: “We, the leaders of the country’s largest financial and industrial corporations, after meeting the President and the Prime Minister of Russia, announce that we support the emergency measures that are being taken by the President, the government and the Central Bank during the present financial crisis,....We support the reorganization of the tax system with a view to lessening the burden on enterprises and citizens and, on the other hand, tightening pressure on delinquents. We await the start of the implementation of a new industrial policy that envisions the creation of a favorable environment for efficient enterprises and bankruptcy procedures for money-losing enterprises.” (Nezavisimaya Gazeta, 6 June 1998). This resulted in the creation of a Council on Economic Cooperation on 18 June 1998. However, once the capitalist could tide over the crisis, the institutionalization of this council did not take place.

While Gusinsky was arrested in June 2000, some of the businessmen came in to support him. They signed a letter to release him as they would vouch for his good behavior. However, only 17 business leaders signed this letter, which was spearheaded by Mikhail Fridman and Pyotr Aven of Alpha Group\(^6\). The crux of the letter addressed to President Putin hinted that it was politically motivated against the independent news media, “A precedent was set for what looks very much like the authorities taking reprisals against a political opponent. This precedent could be applied to opponents at regional level or in government departments, and all of us—practically the entire business community—could be put down as members of the opposition.” (Sevodnya, 15 June 2000: 1).

---

5 This Appeal was signed by 10 business and industrial magnates: Mikhail Fridman (president of Alpha Group); Rem Vyakhirev (chairman of Gazprom); Anatoly Chubais (chairman of Unified Power System); Vladimir Potanin (president of the Interros group); Vagit Alekperov (president of the LUKoil); Vladimir Gusinsky (President of Media-Most); Mikhail Khodorkovsky (President of Rosprom-Yukos group); Vitaly Malkin (President of Russian Credit Bank); Vladimir Bogdanov (President of Surgutneftegaz) and Aleksandr Smolensky (chairman of the SBS-AGRO).

6 The other undersigned were Potanin (president of the Interros group); Chubais (chairman of Unified Power System); Vladimir Lisin (chairman of Novolipetsk Metallurgical Combine); Vekselberg (general director of SUAL or Siberian-Urals Aluminium); K. Bendukidze (general director of Uralmashzavod); Khodorkovsky (President of Rosprom-Yukos group); A. Karakhinsky (president of IBS group of companies); D. Zimin (general director, Vymepelkom); A. Kokh (general director, Gazprom-Media); A. Mordashov (general director, Severstal); V. Yevtushenkov (chairman, Sistema); V. Mashchitsky (chairman, Rosinvestneft); E. Shvidler (president, Sibneft); Rem Vyakhirev (chairman of Gazprom); and O. Kiselyov (president, Impeksbank).
Following the reprisals on Gusinsky’s Media-Most, Potanin’s Norilsk Nickel, Fridman-Aven’s TNK (Tyumen Petroleum Company), V. Kadannikov (AvtoVaz) and Vagit Alekperov’s LUKoil in June-July 2000, Boris Nemtsov tried to bring the President and the business leaders to the table. The business leaders wanted to avoid direct confrontation. Boris Nemtsov was the leader of the Union of Rightist Forces who was instrumental in creating a round table between the president and the representatives of the business community. This roundtable did not comprise the kind of council of experts under Yeltsin. Here the business leaders had to represent the whole community and not use the forum for special favors on a one-to-one basis. The first was held in late July 2000.

Another method through which the oligarchs colluded and go after each other was not through direct attack, but through ‘kompromat.’ The oligarchs had their own private corporate armies and intelligence agencies for doing just that and for this very purpose many of them hired ex-KGB chiefs for this task. One purpose of these well-paid, well-equipped spies was to dig up dirt and comprising materials, known as, kompromat, to use against rivals or the government (Hoffman, 2002: 272).

The lobbying tactics of the Russian capitalists were only meant for personal interests under Yeltsin rule. Under Putin they have lost the privilege of directly influencing the government on matters political and economic due to the exiles of Gusinsky and Berezovsky, and the imprisonment of Khodorkovsky. Putin annually meets the business elite through the Russian Union of Industrialists and Entrepreneurs. However, over the years, business associations like OPORA, Delovoye Russia, Chambers of Commerce etc. are involved in these annual meetings. This proves that no single organization was given priority under Putin. This might suggest the forming of horizontal relations within business associations.

5.4 Insertion into the world economy:
Post 1979 the world economic system saw a shift in the policies of the core countries from the Keynesian state-planning towards monetarism (Marshall, 2006) in U.K (under Thatcher), USA (under Reagan), and Germany (under Kohl). Moreover the disintegration of the Soviet Union and the shift to a market economy by the erstwhile republics led to the incorporation of the
former socialist governments to be a part of the ‘world system’ and ‘the age-old familiar international relations of subordination and domination vis-à-vis the periphery’ (Marshall, 2006: 100). With the dawn of the twenty-first century global corporations rose wherein both carriers and beneficiaries, of a hegemonic world view whose essence is explained by Robert Kuttner (2000: pp. 149-150). He says that it is believed for the efficient allocation of goods and services all barriers are to be dismantled for free commerce and free flows of financial capital. To the extent that there is a remnant regulatory role, that it is to protect property, both tangible and intellectual; to assure open, non-discriminatory access; to allow any investor to purchase or sell any asset or repatriate any profit anywhere in the world; to remove and prevent subsidies and other distortions of the *laissez-faire* pricing system; to dismantle what remains of the government industry alliances. In political terms, the neo-liberal model wants to liberate the world from ‘the alleged “suffocating grip” of the state’ which is popularly called as ‘the “fight for democracy”’ (Marshall, 2006: 101). Hence, use of subsidies, import-substitution policies, the erection of tariffs to protect domestic industry, manipulating interest rates etc are being criticized by the core countries and the IMF-WB institutions.

Don D. Marshall (2006: 102) says as financial capital gained ascendancy in the 20th century ‘have agreeably deepened the interdependency of countries to the point where world finance structurally interlocks all countries’ due to the proliferations of banks, tax havens, credit card systems, and financial markets. Moreover globalization, the institutions of transnational corporations and liberalization have made the borders of the nation-states porous. We see a paradigm shift where the class of owners or capitalists of respective countries find their presence in other countries too. For example, billionaires like Lakshmi Mittal, Richard Branson, etc have their concerns across the world. They possess the citizenship of one country but reside in another. The shift is from the national to the international stage where the class of owners will be formed at the international stage. Wolfgang Streeck (Crouch and Streeck, 1997: 52-53) while dealing with German capitalism echoes a similar view. He says that other than states, the only major actors in the international arena are large firms, increasingly institutional in character, with ample resources to pursue their interests individually, unconstrained by union or government pressure forcing them into international class solidarity, and indeed with a growing capacity to extricate themselves from associative governance at national level.
Did the Russian capitalist class contribute to the world capitalist system? In which and what countries the capital was stowed? For one the Russian capitalist along with the other segments of the society invested or deposited their capital in other countries. These were safe havens. Global finance, as Marshall (2006: 102) suggests, presented an opportunity to a few modern-peripheral states ‘to make gains in the radical restructuring of the geography of global finance’. By the 1960s and 1970s, these states were offering offshore banking services. As part of the world system, the peripheral countries participate in offshore investment to earn revenue. The older tax havens were Switzerland and Luxembourg (inland enclave states), Bermuda, Bahamas, the Cayman Islands and Panama. By the end of the 1970s, they were joined by the other island-states [Anguilla, Bahrain, Barbados, Cyprus, Guernsey, Hong Kong, Isle of Man, Jersey, Malta, Montserrat, Nauru, Netherland Antilles, Philippines, Seychelles, St. Vincent, Turks and Caicos, Vanuatu and the Virgin Islands (British and US)] and coastal enclave states [Costa Rica, Gibraltar, Lebanon, Liberia, Monaco, Nicaragua, Panama, Singapore, and the United Arab Emirates].

Don D. Marshall (2006: 103) says, as he lists the offshores, that a ‘global pattern of satellite clusters has subsequently emerged that reveals four primary offshore core regions, each with a principal global/regional capital market at its epicenter:

1.) The Caribbean Basin, serving both North and South America, essentially in areas within the New York time-zone longitude.

2.) European and coastal enclave, and ‘independent’ islands within the London and continental European time-zone longitudes.

3.) Select Persian Gulf states servicing oil-surplus middle eastern countries.

4.) Hong Kong, Singapore, Vanuatu and Nauru serving the Asian-Pacific basin and the sub-region of Oceania, largely within the Tokyo time-zone longitude.’

Usually people invest their capital in countries which are investor friendly, stable economies, etc. The irony of Russian capitalist class of becoming a part of the world capitalist system was that, the capitalists refused the entry of foreign investors within Russia and on the other hand they
siphoned the profits to safer havens. Since boundaries of Russia had become porous right after the introduction of massive economic reforms, the Russian state was not able to tax mobile capital, control offshore activities etc.

Russia, a late entrant of market economy, faced stiff competition from other capitalist economies. The core countries were in the advanced stages of capitalism. Combined with this is the factor of technological advancement. Knox and Martson (2001: as cited by Gwynne and others, 2003: 10) call this as ‘time-space compression’ by which it means that places are coming closer together in terms of travel or communication time or costs. This quickening of pace has greatly helped the functioning of the contemporary world system resulting in a truly global economy (Gwynne and others, 2003). These technological breakthroughs have enabled for traversing borders of states for economic activities. Services particularly related to less material or intangible services employ computer-based technology for certain types of production, capital flows, communication and decision-making.

5.5 Conclusion:
Since the constitution of the Russian Federation vests more power on the office of the Chief Executive of the country, the capitalist class had to be examined in relation to the administration of President Yeltsin and President Putin. Due to the influence of various power centers, Yeltsin could no free the executive office from the stronghold of the oligarchs. Putin was able to limit their influence with not only an agreement, but also by complementing it with necessary reforms. The areas where the capitalists had made capital illegally because of loopholes, Putin ensured that reforms were and institutions were carried in those very areas like taxation, money-laundering, on elections and political parties etc. This also ensured that the capitalists seek business organizations through which they could bargain with the state from outside the power


8 Time-space compression is a term used to describe processes that seem to accelerate the experience of time and reduce the significance of distance during a given historical moment. Geographer David Harvey used the term in The Condition of Postmodernity: An Enquiry into the Origins of Cultural Change. Cambridge, MA: Blackwell, 1990, where it refers to "processes that . . . revolutionize the objective qualities of space and time" (p. 240). Time-space compression often refers to technologies that seem to accelerate or elide spatial and temporal distances, including technologies of communication (telegraph, telephones, fax machines, Internet), travel (rail, cars, trains, jets) and economics (the need to overcome spatial barriers, open up new markets, speed up production cycles, and reduce the turn-over time of capital).
structures and hence the office of the President is made autonomous from the capitalists. Moreover, the inconsistency of the business elite to form pressure groups that would ensure that policies of the state are in tandem with their interests are lacking.