

ning machine. For any real change to come at this point, the Russian federal government would have to make democratization in Tatarstan a priority. But since the

current system serves Moscow's interests well, there is little chance that it will make many changes.

About the author

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Recommended Reading

- Yelena Chernobrovkina, *Demokraticeskaya Oppozitsiya Tatarstana: 10 Let Puti, Ravnopravie i Zakonnost'*, 2001.
- Julia Kusznir, "The New Russian-Tatar Treaty and its Implications for Russian Federalism", *Russian Analytical Digest*, no. 16, 7 March 2007.
- V. Mikhailov, V. Bazhanov, and M. Farukshin (eds), *Osobaya Zona: Vybory v Tatarstane*, Kazan Division of the International Human Rights Assembly, Ulyanovsk, 2000.
- Robert W. Orttung, Danielle N. Lussier, and Anna Paretskaya (eds), *The Republics and Regions of the Russian Federation: A Guide to Politics, Policies, and Leaders*, EastWest Institute and M. E. Sharpe, Armonk, NY, and London, 2000.

Analysis

The Oil Factor and War of Clans in Chechnya

By Nathalie Ouvaroff, Moscow

Abstract

Oil has long been an object of conflict in Chechnya, with both Moscow and the leaders of the republic trying to gain control of the profits from its sale. Over time various warlords and members of the Russian special services have sold the oil on the black market for personal profit. Under Ramzan Kadyrov, the Chechens argue that the Russian state-owned oil company Rosneft is taking too much of the republic's oil for its own purposes, leaving too little money in the region. Kadyrov has apparently scored some victories over Rosneft recently, but these may be short-lived. Ultimately, the Putin-Medvedev tandem and the people around them must decide whether the Russian government will continue to support Kadyrov or try to replace him with an alternative figure who would better serve Russian interests.

Time of Uncertainty

Russia is entering a zone of uncertainty, fraught with danger. Elites view the Putin-Medvedev tandem as a false diarchy, in which Putin remains the leading figure. According to jokes currently circulating in Moscow, "The tsar is still there, he has just appointed an assistant" or "Our Vladimir is canny, he has chosen the only way to preserve his throne without alienating Western public opinion and oligarchs eager to launder money in the West." Even though the Russian constitution places power in the hands of the president, the presence of two people at the top will allow a number of maneuvers between the two centers of power, particularly since the new head of state does not seem to be a clone of his predecessor.

Even before the new president was sworn in, subtle games began to appear in the fringes of the empire: The Chechen Republic, which since the arrival of Chechen President Ramzan Kadyrov in 2006 has experienced a period of calm and prosperity that even Kadyrov's opponents must concede, is again facing tension for two reasons:

- Rosneft's decision to build a second refinery in the neighboring republic of Kabardino-Balkaria, rather than in Chechnya, and
- The resumption of clan warfare among the various Chechen factions, marked in particular by the dispute between Kadyrov and the Yamadaev Brothers and the surprising statement of the separatist refugee Ahmed Zakaev in London highlighting the

positive aspects of Kadyrov's management of the republic.

Oil and the Chechen Conflict

In 1991, Chechnya proclaimed its independence. President Dzhokhar Dudaev placed his hand on the republic's oil and promised the people to build a new Kuwait. However, Dudaev, who only had the right to issue export licenses, instead mostly shared the spoils with his relatives rather than the people as a whole.

The oil trade generated huge profits due to the difference between market prices inside and outside the republic and the absence, until 1992, of tariffs on trade between former Soviet republics. One ton of crude sold in Grozny for \$1 but fetched \$150 in Lithuania. Given these lucrative profits, the oil trade provoked rivalries that resulted in killings. The people who expected miracles were disappointed, life became increasingly difficult and the Russians did not pay additional wages or pensions.

After these circumstances festered for several years, Russia decided to end the Chechen rebellion in December 1994. President Yeltsin and his entourage believed that they would be able to secure a quick victory for the federal forces. However, Russia's troops were unprepared for guerrilla fighting and faced strong resistance from the Chechens, especially in the mountains. Additionally, Russia's response lacked cohesion due to the tensions between civilian and military groups working in Chechnya as well as the role of Boris Berezovsky, who openly played on both sides. The outcome was a humiliating defeat for Moscow, which was codified two years later in the ceasefire agreement spelled out in the 1996 Treaty of Khasavyurt.

Russia accepted the departure of all of its forces, meeting then Chechen President Aslan Maskhadov's condition for the Chechens to lay down their weapons. At the time, the Kremlin had no choice but to accept these conditions. Because of the instability that reigned in Chechnya, Azerbaijan threatened to send its oil by pipeline through Soupsa in Georgia. Ultimately, Russia agreed to pay \$15.67 per ton of oil leaving Chechnya, while charging \$4.57 for transportation fees.

From 1998 on, however, the Russian money never arrived. Then Chechen President Maskhadov went to Moscow to try to solve the problem, explaining that the situation around the pipeline affected not only Chechens, but also Russians, because the guards who should have been protecting the pipeline, but who had not received their wages, were instead pumping oil from the pipeline to sell on the black market. Ultimately, newly-appointed Prime Minister Yevgeny Primakov paid Russia's debts, but it was too late as the black market for oil was in full swing.

In August 1999, Yeltsin appointed Vladimir Putin as prime minister, apparently at the urging of the meddling Berezovsky. At the same time, Chechen Islamists undertook an offensive to liberate Dagestan, even though Maskhadov had objected to this operation. The September attacks in Dagestan left several hundred dead. Although the conditions of the invasion remain murky, the outbreak of violence helped Moscow to begin its "anti-terrorist" activities in Chechnya and at the same time to install the "vertical of power," stomping on all freedoms. These efforts did not stop the fighting, but, to the contrary, intensified the war effort.

Rosneft, Russia's state-owned oil company, which has since become a powerful player, settled in Chechnya in the early 2000s, following the troops into the break-away republic. Its job was to take control of oil wealth there. At that time, most of the oil wells had been destroyed during the fighting. The ones that still operated were controlled by the heads of the most influential clans in the republic and used to finance both separatist forces and those that favored a compromise with Russia.

Rosneft began to repair the wells and revive the oil industry with the help of the Russian special forces, which took the place of the warlords in the illicit oil trade. At that time, more than half the oil was sold on the parallel market, whose size was between one million and a million and half tons. The oil was processed in mini-refineries, which were protected by senior members of the Main Intelligence Directorate of the General Staff of the Russian Armed Forces (GRU) and the Federal Security Service (FSB).

Then Chechen President Akhmed Kadyrov met with members of the presidential administration in Moscow in an effort to direct the oil profits to his republic. Putin went secretly to Grozny to establish a special police group capable of requiring the special forces not only to renounce their main source of income, but to fight against those of their comrades who worked with Chechen separatists to continue their black market trade. Nevertheless, oil still remained a key bone of contention.

The Kadyrov Clan against Rosneft

Relations between the Kadyrov clan and Rosneft have never been cordial, and for good reason. The state-owned Rosneft behaves in Chechnya as if it is operating in a conquered country, acting as if it can behave with impunity. Rosneft gained extensive weight on the Russian market since it took over Yukos' assets, following the destruction of that company in 2003. Of course, it is no coincidence that Chairman of the Rosneft board of directors Igor Sechin, who also served as a deputy

head of the presidential administration, played a major role in dismantling Russia's most important independent oil company.

The father of current Chechen President Ramzan Kadyrov, Akhmed, who ruled from October 2003 until his death on May 9, 2004, secured the support of a number of warlords and brought peace to the small republic. He then sought to take advantage of his popularity by convincing Moscow to agree to his demands for more autonomy. In particular, he sought an agreement with the federal government that would precisely define the powers of the Russian and Chechen governments, both politically and economically, clearly delineating who controlled the oil wealth and refineries in the republic. While the controversial document was under discussion, Akhmed Kadyrov was killed by a bomber as he viewed the republic's World War II commemoration. According to the official account, he was the victim of a terrorist act.

However, his son Ramzan Kadyrov drew the appropriate conclusion and, just after his inauguration as Chechen president, reassured the Kremlin of his intentions: "I am in favor of strengthening the vertical of power and believe that an agreement with Moscow is useless," he said.

In addition, Ramzan convinced the Kremlin, and Putin in particular, that Chechenizing the peace would best serve Russian interests by replacing the Russian security forces in Chechnya with Chechen groups. This initiative made Ramzan Kadyrov powerful enemies in the FSB and GRU.

Chechnya's oil is exploited by Grozneftegaz, a subsidiary of Rosneft, headed by 9 people, including 5 Russians and 4 Chechens. Rosneft takes the lion's share of the oil, leaving the Chechens mere crumbs. The company returns to Chechnya only 420 million rubles of the 200 billion that it earns each year. "Rosneft's attitude is an affront to the Chechen people," Ramzan Kadyrov told the Russian news agency RIA NOVOSTI last year. Likewise, the speaker of the Chechen parliament, D. Abdoura Khmanov, recalled that President Putin had stressed that the oil would be used primarily to improve the economy of the republic and stressed that "Rosneft had a short-sighted policy, both economically and politically."

In March, the news that Rosneft had finally decided to build a refinery in Kabardino-Balkaria and not Chechnya despite all of Grozny's efforts and the company's repeated promises, sparked conflict. For the Russian oil giant, it was a strategic decision rather than an economic one since Kabardino-Balkaria's reserves do not exceed 7 million tons, while Chechnya has at least 20 million. This decision shows that Rosneft and the Kremlin have, in fact, little confidence in Kadyrov

and fear that he might one day decide to do business without Rosneft.

Ultimately, Rosneft went for a compromise solution. The company will open a representative office in Grozny thus allowing a more equitable distribution of income taxes by having the state send some of the funds it collects back to Chechnya. As for the refinery, it would appear that the Chechens have also succeeded in getting their way, at least according to the Chechen media, which, in contrast to the Russian press, remains very discreet on the subject, merely emphasizing that "all the difficulties have been ironed out."

The Resumption of the Struggle of Clans between Ramzan and the Yamadaev Brothers

In this context, the clash between the clans of Ramzan Kadyrov and the Yamadaev brothers resumed. The rivalry between Kadyrov and the Yamadaevs is not new. At the beginning of the second Chechen war, members of both clans fought against the federal authorities and then subsequently joined their side. Ruslan Yamadaev, the elder brother, was close to the father of Ramzan and is a member of the pro-Kremlin United Russia party. Suleyman, the younger brother, became the head of the "Vostok" battalion, which consists solely of Chechen troops but serves directly under the GRU. Clearly, this battalion is not dependent on Ramzan Kadyrov and is not accountable to him. But Ramzan Kadyrov wants absolute power and beginning with his inauguration, he has taken advantage of Putin's strong support to get rid of any potential opposition, which could eventually stand up to him.

In 2006 Kadyrov succeeded in dissolving the "Gorets" battalion, composed of members of the FSB, and a few weeks later, on November 18, 2006, its commander Movladi Baisarov was killed by Chechens in Moscow. Beslan Emilkhanov, who commanded the GRU "Zapad" battalion was forced to leave the region after he received a number of threats. It is important to note that the federal government is not interfering with Kadyrov's attempt to destroy all his opposition. For Moscow, the essential thing is that the situation in the region remains stable.

In mid-April, a clash occurred between Kadyrov-followers and that of Suleyman Yamadaev on a national highway near the town of Gudermes, stronghold of the Yamadaev clan. Two fighters were killed in this incident. The next day Yamadaev's supporters attacked Kadyrov's backers leading to a real battle between two mini-armies in which eight fighters were arrested and killed.

Following the confrontation, Ramzan Kadyrov asked the Russian Defense Minister to break up the Yamadaev unit, which includes thousands of men. At

the same time, Kadyrov filed a complaint against the younger brother of Suleyman, Badroudin, accusing him of being a drug addict and having carried out numerous kidnappings for ransom. In 2003 he was sentenced to 15 years in a prison camp, but remains at large. The Grozny city council backed the Chechen president, declaring that “the Vostok battalion has no place in a peaceful country working toward reconstruction.”

After contradictory information appeared in the press, the federal authorities tried to put forward a split decision, announcing, on the one hand, the disgrace of Suleyman Yamadaev, who will no longer command the Vostok battalion and, on the other, that the combatants must now “pass an examination to be reclassified.”

Kadyrov’s Victory?

Chechnya is at peace, but it is a relative and fragile peace while at the same time, the rest of the Caucasus has entered a time of turbulence. In addition, there is no doubt that Ramzan Kadyrov only manages to stay alive with the support of Putin, with whom he maintains very close relations. Kadyrov is content now that the prime minister retains all the levers of power in Moscow. But how long will this be the case? Many observers point out that President Medvedev has no intention of being a puppet. In this context, the Chechen president is working to get rid of all those who could replace him, particularly since he has few friends in Moscow. The new Russian president does not seem to have a great deal of sympathy for Kadyrov: in fact, he invited both Suleyman and Ruslan Yamadaev to his inauguration ceremony, as well as Kadyrov. Igor Sechin and Nikolai Patruchev, who did not support Kadyrov in the past, are still in place. It does not help the Chechen president that he has sought to gain control over such a lucrative source of income as his region’s oil. One positive point for Kadyrov is that one of his personal enemies, Deputy Prime Minister and former Defense Minister Sergei Ivanov, is no longer part of the Security Council.

However, the Chechen president should not rejoice too soon as a new scandal is about to burst. This time, the attack comes from the Russian army. In an article published in the military newspaper *Krasnaia zvezda*, General Nikolas Silak, who serves in Chechnya, said that “the republic is still not peaceful and that losses of men this year are substantially the same as they were in 2007.” He also stressed that “the police and the Chechen FSB do not provide the kind of help that we need and

only the Vostok and Zapad battalions, which are not controlled by Kadyrov, now take an active part in the fight against the guerrillas.”

Responding to these accusations in the daily *Vremia Novostei*, the Chechen ombudsman and a member of the Chechen parliament, Houdry Houkhaiev, accused the Russian forces “of painting Chechen reality in black to justify their presence on the ground.”

Moscow-based political scientist Sergei Markedonov is not surprised by these revelations. “This is not the first time that a conflict has erupted between the Chechen and federal forces. This dispute will continue and intensify because the center gave all the levers of power to Ramzan and now has no power over him,” he said, and added “the situation in the republic is troubled. The policy of national renaissance led by Kadyrov is not clearly defined.” For him “the essential thing is to be Chechen.” He believes that the fighters in the mountains are no longer “separatists,” but patriots, who have not yet understood that the Chechen administration shares their ideal of a Chechen autonomy in which Islamic values would be respected. This attitude is dangerous, especially in the context of the rise of Islamist radicals in the republics bordering Chechnya — Ingushetia and Dagestan. Finally we must acknowledge the unexpected support given to Kadyrov by the separatist Ahmed Zakaev.

In this context, Kadyrov’s victory over Rosneft and the Yamadaev clan may be pyrrhic. Ultimately, the Kremlin and the Russian White House will decide. For Moscow, it is a difficult problem. Indeed, if the Kremlin moves to get rid of Ramzan Kadyrov, it will have to come up with an alternative in a hurry. According to experts, there is no individual who is acceptable to all clans and the solution would likely be a troika of leaders, consisting of two clan representatives and a member of the Chechen diaspora. This configuration would be highly unstable and could generate a new outbreak of violence.

Likewise, we must explain the significance of the recent appointment of Ramzan Kadyrov to the presidium of the Russian Federation State Council. Regional leaders are rotated through this body on a regular basis. According to Markedonov, Kadyrov received this “promotion” so that Moscow could “monitor the Chechen president more closely and prevent the republic from conducting its own foreign policy, something that it has already started doing.”

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