

suicide attack in Moscow on March 29, 2010, which killed 40 people and another suicide attack at the biggest airport in Russia, Domodedovo, on January 24, 2011 made Moscow's attempts to separate the conflict-ridden regions from the rest of Russia look unconvincing, especially for nearby Sochi. In 2010, militants attacked two hydroelectric plants, one in Kabardino-Balkaria and one in Dagestan, as well as numerous attacks on officials. In addition, tourists were killed in Kabardino-Balkaria and tourism-related infrastructure was targeted in February 2011. With these actions, the North Cauca-

sus insurgency proved its vitality and ability to launch many different types of attacks, and according to the current trend, are widening their actions across more and more of the territories in this volatile region. The Sochi Olympics will almost certainly be seen by the North Caucasian militants as a very lucrative target. Against this background, the Russian government has offered little reassurance to potential visitors to the Olympics, and thus currently anyone planning to attend the Olympics should be aware of this threat.

About the Author

Valery Dzutsev is the North Caucasus analyst at Jamestown Foundation and the former Coordinator for the North Caucasus at the Institute of War and Peace Reporting (IWPR).

ANALYSIS

World Champions Bred by National Champions: the Role of State-Owned Corporate Giants in Russian Sports

By Markku Jokisipilä, University of Turku

Abstract

According to Vladimir Putin's "national champions" policy, Russian corporations in strategic sectors should serve national interests. A fascinating aspect of this policy is the Kremlin's recruitment of corporate giants, such as Gazprom and Rosneft, to fund Russian sport. International sporting success and the hosting of high-profile sporting events, especially the Sochi Olympics in 2014 and the FIFA World Cup in 2018, are seen as invaluable tools for signaling Russia's return as a great power. With its unrivaled track record of victories during the Soviet era, the Russian national ice-hockey team is viewed as having special importance by both Putin and Medvedev.

In his 1997 dissertation "Strategic Planning of the Reproduction of the Resource Base", the then future president of the Russian Federation, Vladimir Putin, introduced the concept of "national champions". What he meant by "national champions" was that large corporations in strategic industries crucial to national security should, as well as seeking to make profits, advance the interests of the nation. With close links to and strong support from the state, these companies would then become big enough to compete with privately-owned multinational companies, turning them into custodians of state interests in international trade.

On 18 May 2008, the Russian national ice-hockey team beat Canada 5–4 with an overtime goal in the final of the World Championships, played in Quebec City. For Russia, which during Soviet times had won seven Olympic and 22 World ice-hockey titles, this was

a first World title in 15 years. President Dmitri Medvedev congratulated the team immediately after the game in a telephone call, and two days later he hosted a reception at the Kremlin to honor the new world champions. In his speech the President stressed that "Russia needs such victories, it needs its sporting glory".

There is a strong link between these two seemingly distant events, namely the sponsorship money paid to ice-hockey by Russian corporations. For many Western commentators natural gas giant Gazprom, which is the biggest company in Russia, represents a textbook example of the "national champion" idea. Among its many activities, Gazprom is also one of the biggest sponsors of the Russian national ice-hockey team and Russian ice-hockey in general. Also, several other "national champions", including Rosneft and Tatneft (both oil), Transneft (oil pipelines), Russian Railways, Rosob-

ronexport (arms export) and VTB Bank, have lavishly sponsored ice-hockey.

Ice-hockey is only one of the sports that these companies support, but it is a particularly important one, because of the tradition of international success during the Soviet era and its obvious popularity in the highest echelons of Russian power. However, although loved by both its people and its leaders, not long ago Russian ice-hockey was faltering miserably. As with so many other sectors of Russian society, the 1990s was a decade of chaos and immense difficulties for competitive sports. Success in the summer Olympics nosedived, from 132 Soviet medals in Seoul 1988 to 63 Russian ones in Atlanta eight years later. In the winter games, the decline was equally impressive: from 29 in Calgary 1988 to 13 in Salt Lake City 2002. The national ice-hockey team, which during the Soviet years had never finished outside of the top three in the annual world championships, was able to medal only once in the world championships across the first ten years of the Russian Federation.

The Yeltsin administration was beset by far too many economic, political and social hardships, to focus on arresting the deterioration of Russian sports infrastructure. However, as Putin came to power in 1999/2000, in conjunction with an embryonic economic recovery, the Kremlin's indifference towards the country's international sporting fortunes quickly began to subside. Putin saw reinvigoration of sport as a state priority, because of its positive impact on the country's international image and the spirit of the Russian people. In August 2000, Putin stated that "victories in sport do more to cement the nation than a hundred political slogans". Because of its huge societal resonance, he saw sport as an invaluable political tool. "The health of the nation depends directly on the successful development of physical culture and sport", he stated in October 2003.

Putin saw the restoration of Russia's greatness as his paramount task as president. To combat corruption and greed he developed a plan to renationalize strategic industries, especially in the energy sector. By first acquiring a majority stake and then filling key positions within the companies with officials loyal to the Kremlin, he ensured that these companies would act in the interests of the Russian state. This policy of "national champions" was a unique economic success story. Under Putin, Russia's gross domestic product grew by approximately eight percent a year and doubled in total across the ten years following the financial crash of 1998. This was mostly the result of the sharp rise in the price of oil, from 10 dollars to 130 dollars a barrel, but without reclaiming the energy and natural resources sector, assets privatized during 1990s, the Russian state would not have been

able to benefit from this to the degree it did. As a subplot to his renationalization effort, Putin tamed the oligarchs by giving them political immunity in return for their non-intervention in the realm of politics.

From the very beginning, securing the levels of funding necessary for Russian sport to succeed internationally was a part of Putin's "national champions" policy. Firms like Gazprom have been extremely profitable, but at the same time they have used a lot of their resources for activities that have very little to do with business interests. Most of these activities, for example organizing various charitable events and engaging in diverse social and cultural ventures, have stemmed precisely from their role as "national champions". Sponsorship of sport, which corporations began to pour more and more money into after Putin told them specifically to do so in 2002, is one of the most obvious examples of this. It has been difficult for private Gazprom shareholders to understand how exactly they are going to benefit from the company's huge role in funding the 2014 Sochi Winter Olympics, whereas from the Kremlin's "national champions" perspective it makes perfect sense.

During his presidency, and after that as prime minister, Putin has determinedly wooed international sport bodies to win the right to host high-profile sporting events, seeing this as a way to promote Russia's international image and to signal its resurgence as a great power to the world. He has been incredibly successful in his efforts, managing to secure for Russia an unprecedented royal flush of major international sporting events in the next few years: Summer Universiades in Kazan and the IAAF World Championships in athletics in Moscow in 2013, the Winter Olympics in Sochi in 2014 and, the biggest one of them all, the FIFA World Cup in 2018, which will be hosted across fourteen different Russian cities. Bidding for these events requires a lot of money in itself, not to speak of the eventual costs of actually organizing them. Although Putin actively and very visibly put his personal authority and reputation on the line to get these events for Russia, successful bidding would not have been possible without credible financial backing from the Russian corporate sector. "National champion" companies were recruited to the bidding campaigns from the very beginning.

Still pending is Russia's bid to host 2016 ice-hockey world championships in Moscow and St. Petersburg. Although not as high-profile as the Olympics or the World Cup, Putin has made no secret of his special interest in this particular event. With its two consecutive World Championship titles in 2008 and 2009, ice-hockey has spearheaded Russia's return to the top of international sport. In the field of sport, ice-hockey has been the image-building weapon of choice for both

Putin and Medvedev, as testified by their personal interventions into decision-making involving ice-hockey and their numerous ice-hockey-related public appearances.

Indeed, the best example of the application of the “national champions” policy in sport is the establishment of the new Continental Hockey League KHL (*Kontinentalnaja Hokkeinaja Liga*) in 2008. After the disappointing third place in the 2007 World Championships in Moscow, Putin summoned Sports Minister, Vyacheslav Fetisov, and the President of the Russian Hockey Federation and Chairman of the Duma Committee on Physical Culture and Sport, Vladislav Tretiak, two legendary players from the Soviet “Red Machine” national ice-hockey team, and Gazprom’s number two man, ice-hockey enthusiast Alexander Medvedev, to a meeting. Putin assigned his guests the task of reorganizing Russian ice-hockey, so that a return to gold standard would be possible.

After Tretiak, who had advocated a Soviet-style system run by the federation, had been sacked by Putin himself, Fetisov and Medvedev presented a plan of replacing the existing Russian Superleague with a new Eurasian professional league. Putin welcomed the ambitiousness of this proposed league, which would seek to challenge the dominant North American National Hockey League (NHL), the biggest, richest, most famous and most traditional league in the world of ice-hockey. The KHL started in autumn 2008 with 24 teams from Russia, Belarus, Kazakhstan and Latvia, involving 720 players from 15 different nationalities, with teams from cities spanning 6,150 kilometers from Riga to Khabarovsk in the Russian Far East.

Russia’s recently won World Championship title lent added prestige to the new league, as did the list of sponsors, which included Gazprom, Transneft, Russian Railways, Rosneft, Rosoboronexport, Rosgosstrakh, Magnitogorsk Iron and Steel, Evraz Group, Tatneft. According to the KHL business plan, the corporate sponsors would inject start-up capital of 10 million dollars each and as the league got up and running, five million dollars more per season. Initially the NHL reacted to its upstart Russian competitor with a pronounced nonchalance, but this changed quickly as the KHL teams proved capable of offering sufficient salaries to attract high class players, such as Jaromir Jagr, Alexander Radulov and Jozef Stümpel. Radulov’s decision to move, in the middle of an active contract, from the Nashville Predators to Salavat Yulayev Ufa created the first major conflict between the two leagues, with more likely to follow.

In May 2009 Russia won its second consecutive world title, again by beating Canada in the final. This was also an important achievement for the new league, as 18 of the players came from the KHL and only seven

from the NHL. The Canadian team was made up of 24 players from the NHL and only one from the KHL. By now it was clear to all sides that there was a new sheriff in the global hockey town. The victory was enthusiastically acknowledged and greeted by President Medvedev first with a telephone call, then with a telegram, and finally with a reception at the Kremlin.

Everything seemed to be set for a third Russian victory in a row when the teams hit the ice at the Vancouver Olympics in February 2010. After taking the gold with a Unified Team (Russia, Ukraine, Kazakhstan, Belarus, Uzbekistan, and Armenia—although the ice-hockey team only contained two non-Russians, both of whom later became Russian citizens) in French Albertville in 1992, the Russians had not won the Olympic ice-hockey crown since. However, these huge expectations were crushed in the quarterfinal game against archrivals Canada, with a humiliatingly easy victory by seven goals to three. In anticipation of the reaction back home, the head coach, Vyacheslav Bykov, told the reporters that it was best to “put guillotines and scaffolds up on Red Square”. As the headlines in Russia which followed soon attested, he was not far off the mark.

Ice-hockey players were not the only members of the Russian team to perform badly in Vancouver. In Russia’s worst-ever performance in the Winter Olympics, Russia won only three gold medals and finished 11th spot on the medal table. The day after the closing ceremony, Medvedev demanded the resignation of the people responsible for this disaster. The effect of this public rebuke was dramatic, as the President of the Russian Olympic Committee, Leonid Tyagachev, and seven out of twelve Winter Olympic sport federation heads decided to step down. The aftermath of Vancouver shows that for the Kremlin sporting success is a highly important instrument in creating political legitimacy for the regime. The fact that the President and the Prime Minister have such an obvious presence in Russian sport, and make constant interventions within it, is very exceptional in international comparison. For Russians in general and the Kremlin in particular, sport truly is no laughing matter.

Interestingly, the funding for Russian sport has suffered surprisingly little from the economic recession of 2008–2009. The debacle in Vancouver was not the result of a lack of money; on the contrary, the government spent an unprecedented amount on Olympic preparations. Indeed, it appears that the Russian government will continue to support sport regardless of the costs, because as Dmitrii Medvedev stated in an October 2009 speech, success in sport is directly linked to “our people’s health and our country’s reputation and prestige”. Consequently, sponsorship programs of “national champion” corporations seem to have been largely unaffected

by the ups and downs of the economy. This is particularly true for hockey. “Sponsors and club owners understand that hockey in Russia is not merely a business but has a great social status as well”, according to Gazprom’s Alexander Medvedev. As a true “national champion” the KHL, of which Alexander Medvedev is president, was able to create a 30 million dollar war-chest during the recession to pay bonuses and salary compensations for fluctuations in currency exchange rates.

After the Vancouver Olympics, President Medvedev initiated reforms to ensure that the money invested in Russian sports will be spent as efficiently as possible. The country is now preparing to host the Sochi Olympics, which according to Medvedev are “our chance to show the world that we are a capable, hospitable and a technologically advanced country”. But being acknowl-

edged as a good host will not be enough for Russia, if its athletes and teams fail to perform in the competition. Medvedev has stressed that after being humiliated in Vancouver, Sochi will be “our chance to show the world that we can stand tall and that we know how to win”.

If there is one victory that Russians crave more than any other in Sochi, it is in ice-hockey. As Vyacheslav Fetisov outlined, so much money, hope and expectations have been invested in the first-ever Russian Winter Olympics, that anything less than superior performance will be deemed unacceptable: “We don’t have the right to lose at home”, stated the legendary defenseman of the Red Machine to tabloid *Komsomolskaya Pravda*. No doubt both Putin and Medvedev see it similarly, and thanks to the “national champions” policy, money will not be an issue in seeking to secure success.

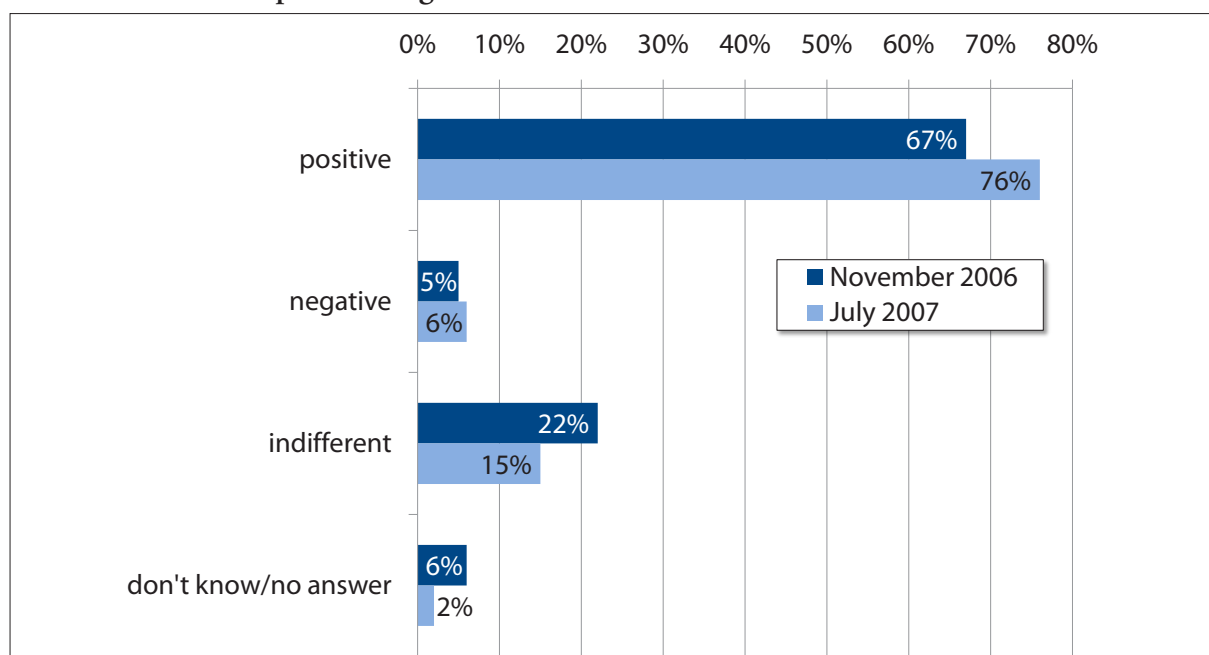
About the Author

Markku Jokisipilä is the Academic Director of the Baltic Sea Region Studies program at the University of Turku. He is the author of a forthcoming book on the links between ice-hockey and politics from the Cold war era to the present day.

OPINION POLL

Russian Public Opinion on the Olympic Winter Games in Sochi 2014

Figure 1: What is your opinion about the fact that the Olympic Winter Games 2014 will be held in Sochi—positive, negative or indifferent?



Source: representative opinion polls by the Public Opinion Fund (FOM) on 11–12 November 2006 and 14–15 July 2007, http://bd.fom.ru/report/map/projects/dominant/dom0729/dom0729_5/d072905