

The Gusinsky affair: where are the dangers to democracy in Russia coming from?

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17 July 2000

The arrest on June 13 of Russia's biggest media tycoon, the "oligarch" Vladimir Gusinsky, caused a stir both in Russia and internationally. For the first time since the collapse of the Soviet Union, a member of the "caste of untouchables" was arrested. In the course of the stormy events of the past 10 years governors, ministers and even the chief state prosecutor have been imprisoned, but never one of the handful of super-rich Russian oligarchs.

The circumstances under which Gusinsky was arrested seem like something out of a police thriller. He had been subpoenaed as a witness by the chief state prosecutor's office to testify about companies belonging to his *Media-Most* holding group, the offices of which had been raided and searched by a special unit of the secret service on May 11, just after Putin assumed office. After questioning, he was charged and detained in Butyrka Prison, which is run by the chief prosecutor's office. His detention pending trial was set at 10 days. At the time of the arrest President Vladimir Putin was abroad, in Spain.

Gusinsky was arrested on suspicion of committing a crime pursuant to Section 179 of the Russian Criminal Code which makes "theft of property by large groups through embezzlement or abuse of confidence" punishable by law. According to the state prosecutor's office, Gusinsky and several board members of the *Russian Video* state enterprise "removed not less than 10 million US dollars from state property without returning it".

Most Russian politicians and media criticised the arrest. Grigory Yavlinsky, the parliamentary leader of the Yabloko party in the Duma, who has close ties to the *Media-Most* group, denounced the arrest as an "action taken to intimidate society and the media". Gennady Zyuganov, the leader of the Communist Party of Russia (CPR), said there had been "no particular need" for such draconian action against Gusinsky.

Mikhael Gorbachev, the former president of the USSR, said Gusinsky's arrest was not only a calculated move against the *Media-Most* group, but was also directed against Putin himself. Irina Khakamada, the vice-spokesperson of the Forces of the Right grouping, voiced a similar opinion: "At a time when Putin is carrying out state reforms, the arrest of Gusinsky could lead to a split in society and the loss of some of the support Putin has in the population".

A typical reaction by the press was a headline in the newspaper *Vedomosti*, which is jointly published in Russia with the *Wall Street Journal* and the *Financial Times*. The headline read: "Dictatorship of the Law?"

Countless Western politicians denounced Gusinsky's arrest. US President Bill Clinton said nobody should be arrested because of the views he or she expressed in the media. A representative of the US State Department warned that Russia's international reputation would be damaged if the government took action to intimidate the media. And the chairman of the Organisation for Security and Cooperation in Europe (OSCE), Freimut Duwe, requested in a letter to the Russian Ministry of the Interior that the circumstances of Gusinsky's arrest be clarified.

Putin's behaviour indicates that he was informed in advance. Although he referred to the arrest as a "questionable gift", he stressed that he has confidence in Russia's judiciary. Striking an ironic note, he said, "Gusinsky is a very talented person. He succeeded in gaining control of an enterprise worth 1.3 billion dollars, and has hardly paid back any of it." Putin also mentioned the money owed to the semi-state-run natural gas corporation *Gazprom* by the *Media-Most* group. A short while later, however, he called the arrest a "mistake".

Due to public pressure, Gusinsky was unexpectedly released from jail on June 16. He had to agree not to leave the country while charges are being pressed against him. His request to visit his family in Spain was refused.

Gusinsky's attorneys argue that the action taken against him was completely arbitrary and lacked any factual basis. It is therefore necessary to look more closely at the reason given for taking this action against the *Media-Most* group and Gusinsky: the legal proceedings against the Petersburg-based *Russian Video* company, which were initiated in 1998.

This company directed by Dimitry Roshjstvensky, was established in December 1996. Some 70 percent of its shares were owned by a state company of the same name. The newly established company's articles of association forbade the sale of these shares to private persons.

The company was granted a license to broadcast television programs in February 1997. As opposed to the customary time-consuming procedure, this license was granted in a matter of hours. Immediately afterwards, the company's articles of association were altered to permit the unrestricted sale of shares. In late May, *Media-Most* purchased 75 percent of the shares for \$5,000, thus virtually becoming the owner of the company.

In late 1998 court proceedings were initiated due to irregularities in the purchase of these shares. According to the newspaper *Izvestia*, the investigation uncovered the fact that about \$1 million had been transferred to Roshjstvensky's bank account two weeks before the change in ownership. Roshjstvensky was charged with gross theft of property and arrested. He remains in jail to this day.

The \$10 million Gusinsky is accused of having embezzled is allegedly the difference between the actual market value of the *Russian Video* shares and the very small amount of money his group paid for them.

Judging by the methods with which state-run enterprises were privatised in the 1990s, this is not an exceptional case. For instance, 10 times that amount of money was involved in the proceedings last year against Boris Beresovsky, who was accused of concealing revenue from the *Aeroflot* airline. It can be assumed that, according to the laws of that time, the takeover of *Russian Video* for a symbolic price was perfectly legal, as was the purchase of hundreds of formerly state-owned enterprises.

In view of the fact that swindles of this type could be carried out absolutely legally and on such a large scale, the question that arises is: to what extent were these laws themselves legitimate? From the perspective of society, it is not a matter of indifference how these large segments of property passed into the hands of a few people. This is the core of the

problem, and this is where the legal case becomes a political issue.

The attorneys of the *Media-Most* group recognised this context, and are trying to put it to use for the benefit of their client. The case they are making is that Gusinsky is not being persecuted because he purchased shares in *Russian Video*, but rather as a result of the general transformation of state property into joint-stock companies. Consequently they argue that, if the *Russian Video* case is branded as a crime, the entire process of privatisation in Russia over the past 10 years would have to be declared a crime.

According to an old saying, “There is a crime at the bottom of every great fortune.” This couldn’t be more pertinent than in today’s Russia. Boris Beresovsky made a characteristic admission in this regard: “There isn’t one businessman who didn’t in some way break the law over the past 10 years. Obviously, the judiciary has the means to bring any one of them to court. But I am completely against this sort of thing”.

Gusinsky himself warned that further arrests are being prepared. He claims to possess confidential information substantiating this. Gusinsky named as possible victims: Vagit Alekperov, the president of Russia’s biggest oil company *Lukoil*, and board members of the *Yukos* oil company.

The Kremlin also gave indications that it would take action against other oligarchs. The new Minister of Industrial and Commercial Development German Gref stated at a press conference: “If there are oligarchs—meaning people who use their contacts to the government for the purpose of increasing their capital—we must combat this phenomenon in all areas.”

But in actual fact, something quite different is involved here, namely the elimination of the competitors of those finance and industry magnates who currently have the closest links to the Kremlin. Gusinsky named five persons he claims are responsible for his arrest. They all belong to the former entourage of Boris Yeltsin, and are the people who “made” Putin Russia’s new president: the chief of presidential office administration Alexander Voloshin, former Yeltsin adviser V. Yumashev, the Duma members and oligarchs Boris Beresovsky and Roman Abramovich, and the banker A. Mamut.

The Gusinsky affair thus reflects the escalating struggle for power and influence among the major groups within the Russian ruling class. The same groups are involved as a year ago, when Yevgeny Primakov was prime minister. But the relative strength of these groups has changed dramatically since then.

A year ago, a campaign was waged against the so-called “Beresovsky-Abramovich group” which had close ties to Yeltsin. Beresovsky was on the wanted list with an international arrest warrant, and his companies were being investigated by the intelligence service and the revenue service police.

The core of the anti-Kremlin coalition of that time was formed by the “Fatherland—All Russia” movement led by Primakov and Yuri Lushkov, the mayor of Moscow. Gusinsky’s *Media-Most* company supported this group with propaganda. Yavlinsky’s Liberal “Yabloko” party also supported the campaign. The objective of this coalition was a radical change of personnel in the uppermost echelons, while retaining Yeltsin as the “guarantor of the constitution” and symbol of the continuity of “democratic reforms”.

Reacting to this, the Kremlin “family” undertook desperate efforts to keep their grip on the levers of power. To this end, they established the new political movement “Unity” which became the second largest parliamentary group in the Duma in the December 1999 elections. An hysterical campaign aimed at discrediting the Kremlin’s opponents was launched in the mass media. Against the backdrop of the emerging armed conflict in the Northern Caucasus, Vladimir Putin was systematically built up in the media as the incarnation of imperial Russian power. Finally, Yeltsin’s voluntary resignation made possible Putin’s ascension to the pinnacle of Kremlin power. The net result was that the “family” not only

remained in power, but even strengthened its position.

Even Viktor Tretyakov, the editor-in-chief of the *Nyevzavissimaya Gazeta* newspaper, which is controlled by Beresovsky, sees the action taken against Gusinsky as the result of a fight between two groups of oligarchs. In an editorial he wrote that all of these events are “part of the history of the struggle ... between the Kremlin oligarchs and the *Most* oligarchs”. He then pointed out that, because Gusinsky had sought support from international organisations, the Kremlin regards him and his entire holding company “as a source of oppositionist and even anti-state politics. The diagnosis was made, and therapeutic measures failed. They have now opted for surgical methods.”

The *Nyevzavissimaya Gazeta* editor’s references to the “anti-state” and “political” nature of Gusinsky’s activities are an indication that the Kremlin is relying more and more openly on nationalistic traditions and the “defence of state rights” that once served the Stalin regime as a justification for brutally suppressing dissidents.

Gusinsky’s attorneys argue that the diminution of this oligarch’s rights will have far-reaching consequences for society as a whole. Defending his rights, they say, is the way in which society can uphold its own rights and freedoms.

There is an element of truth in this. If an all-powerful oligarch stands defenceless before the state apparatus and its officials, what does this mean for the situation of a normal citizen? It is therefore undoubtedly necessary to oppose despotic and violent acts by the state.

But there is more than this to the Gusinsky affair, which becomes clear once one switches from the immediate sphere of *political* rights and freedoms to the level of *fundamental social and economic relations*.

Looking at the origins of Vladimir Gusinsky’s personal wealth, the media empire built up by him or the political positions of his holding company, it becomes clear that this affair only involves the defence of democratic rights and freedoms to a very, very limited degree.

Gusinsky and his media empire are the result of a redistribution of social wealth into the hands of a minuscule group of private persons that is unprecedented in its extent and rapidity. This process is of a profoundly undemocratic nature. It was paid for with the suffering and poverty of millions of people who were pushed down into hunger and misery.

It is worth noting how Russian society reacted to Gusinsky’s arrest. According to an opinion poll carried out by the All-Russian Centre for Social Opinion Research in Moscow on June 20, about 17 percent of the respondents reacted to the media tycoon’s arrest with fear and indignation. Some 25 percent expressed satisfaction, and 32 percent felt no emotion at all. When asked whether Gusinsky had been involved in financial manipulations, 83 percent of the respondents answered “yes” and only 6 percent considered him innocent.

The social abyss between the thin layer of rich upstarts and the rest of the population is so deep that many Russians regard the “punishment” of someone from the “caste of the untouchables” as being a kind of compensation for the poverty they themselves have to suffer.

Both the Kremlin “family” and the Gusinsky supporters in the financial and political elite are aware of this. They fear that the population’s mood may turn against all of them due to these scandalous revelations. Consequently, they are attempting to stop the conflict before it boils over.

The newspaper *Sevodnya*, which belongs to the *Media-Most* holding company, even invoked the threat of revolution and urged the powers-that-be not to “shatter” the country. “If you start playing the ‘justice game’,” the newspaper warned Russia’s rulers, “then you will have to be prepared to play by the rules of 1937 [the year of Stalin’s Great Terror] to preserve your power. Or you will let go of the initiative, ‘the process will develop’, and you will end up in 1917.”

At all of the decisive turning points in post-Soviet history, Gusinsky’s media empire faithfully served the interests of the new ruling class. It provided the propaganda to justify the economic, social, criminal and

intellectual excesses of capitalist restoration. It supported the dissolution of the Soviet Union, Gaidar's "shock therapy" and Yeltsin's bombardment of parliament in 1993. It was actively involved in Yeltsin's 1996 re-election campaign and now supports Putin's economic and political initiatives.

Looking at all of this in context, it becomes clear that the main danger to the population's democratic rights and liberties does not originate from individual representatives of the state at a national or regional level. It originates from the inner requirements of the development of Russian capitalism, which feels inconvenienced by all formal attributes of democracy and wishes to get rid of them.

The increased tendency of the government to rely on repressive police-state methods cannot be brought to a halt by abstract appeals to the "eternal values" of democracy. Only an independent and conscious political movement of the working population that stands in opposition to the whole basis of the profit system can bring about a truly democratic change in the interests of the majority of society's members.



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