

GAIDAR INSTITUTE FOR ECONOMIC POLICY

RUSSIAN ECONOMY IN 2012
TRENDS AND OUTLOOKS
(ISSUE 34)

Gaidar Institute
Publishers
Moscow / 2013

UDC 330(470+571)
BBC 65.9(2Poc)-04

Agency CIP RSL

Editorial Board: *Sergey Sinelnikov-Murylev (editor-in-chief),
Alexander Radygin,
Nina Glavatskaya*

R95 *Russian Economy in 2012. Trends and Outlooks.*
(Issue 34) – Moscow. Gaidar Institute Publishers, 2013. 548 pp.

ISBN 978-5-93255-374-9

The review provides a detailed analysis of main trends in Russia's economy in 2012. The paper contains 6 big sections that highlight single aspects of Russia's economic development: the socio-political context; the monetary and credit spheres; financial sphere; the real sector; social sphere; institutional challenges. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts.

UDC 330(470+571)
BBC 65.9(2Poc)-04

ISBN 978-5-93255-374-9

□ Gaidar Institute, 2013

North Caucasus in 2012: Results and Risks

Investment projects and the interests of local communities

In December 2012, the Russian government adopted the "Programme for the Development of the North Caucasus Federal District (NCFD) up to 2025" (hereinafter referred to as the Programme). The total funding up to 2020 was approved at a level of 2.55 trillion RUR, and it was determined that the state budget would provide 10% of the funds, while 90% should be made up from investor funds. Note that this proportion is roughly consistent with the principle of distribution of budgetary and non-budgetary finance adopted earlier for some of the projects implemented under the Programme. Thus, of the total costs of holiday resort construction projects in the North Caucasus, 60 billion rubles out of 510 billion rubles will be financed from the budget (through the project operator: Resorts of the North Caucasus JSC (with a 98% stake owned by the Government of the Russian Federation). The State has systematically demonstrated its goal to ensure the economic development of the North Caucasus mostly through investors. They are granted tax benefits, if they register in the new special economic zones (SEZ) created in the North Caucasus, as well as government guarantees on loans granted on an individual competitive basis.

However, particular steps taken in 2012 for the implementation of investment projects in the regions of the North Caucasus Federal District (NCFD) show that a key challenge for the creation of new businesses in the North Caucasus is not the search for investors, but the social implications of the future project development. In some cases, new enterprises acquire land which was previously, in one form or another, controlled by the local communities. Moreover, the launch of new businesses will significantly change the economic traditions of the areas where they are created. Below, we consider the impact of a number of investment projects implemented in the North Caucasus Federal District on the economic situation for the local population with particular examples, and then describe the political risks arising from these impacts.

In principle, the major new projects implemented in the North Caucasus, can have both positive and negative consequences for the local people. The positive effects may include the creation of new jobs for residents of the North Caucasus republics and the creation of a market for the services that local business will provide to the new businesses. Negative effects may occur if new companies invade the established local market, depriving its members of certain economic opportunities, or that the land formerly used by local people for their own purposes (or at least considered as their "own") is acquired by new projects.

We are not aware of any examples of completed or projected enterprises, which would be developed through an appropriate strategy of economic interaction with the local population. All the examples rather suggest that at this time there is no such strategy in for this.

One example is the construction project for the AgroDagItaliya agricultural industrial park in the Babayurt Region of Dagestan, where the shareholders of the company are structures affiliated with certain Dagestani businessmen (the total cost of the project is about 14 billion

RUR)¹. This industrial park is to combine several types of production, including arable, cattle and poultry businesses. In general, the industrial park is expected to create about 16,000 jobs. 46,642 people live in the municipalities of the Babayurt Region (1 January 2011). The Region is characterised by active labour migration to the "oil" regions of Western Siberia (general statistics on the level of this migration are not available, but in the individual villages local residents estimate the proportion of men aged between 20 and 40 working in Siberia as 30-40%). Since the Tyumen Region, the Yamal-Nenets Autonomous District and Ugra are amongst the regions leading the Russian Federation in terms of wages, it is difficult to believe that a large number of residents working "in the North" are ready to change jobs to become farms workers in Dagestan, one of the outsiders in the "Salary ratings" of the Russian regions. This means that it will be impossible to provide the necessary number of employees for the newly created industrial park from residents of the Babayurt Region. The "Labour Reserves" may include people from the so-called transhumance lands, i.e. the land which in Soviet times was provided for farming on the mountain plateaux and where the current status is regulated by a special republican law². At least thirty villages are located within the boundaries of the Babayurt Region, being the municipal communities of the Dagestan mountains and others without any municipal status. According to the National Population Census 2010, the total population of these villages in the Babayurt Region is estimated at 25,579 people. Labour migration from these villages to regions with high wages is low: according to the local administration of Tsadakh village in the Babayurt Region (part of the mountainous Charodinsky District) with a total population of about 750, only 20-30 people work in Western Siberia (generally in Dagestan, it is the Nogai, Kumyks and Lezgins who migrate actively to Western Siberia, while the Avars and Laks who comprise the majority in the area within the boundaries of the Babayurt Region transhumance lands are less involved in the process). Thus, a massive changeover to employment in the new enterprise by the transhumance land dwellers is more likely than such a change for the residents of the Babayurt Region. However, if the

¹ Osnovately "Summy" Vozvrashayutsia v Dagestan // Ekspert-Yug, (Summa founders return to Dagestan // Expert South, No. 44-45(234), November 5, 2012) (<http://expert.ru/south/2012/45/osnovateli-summyi-vozvraschayutsya-v-dagestan/>).

² For additional information on the transhumance lands see: K. Kazenin. Elementy Kavkaza: zemlia, vlast I ideologia v severokavkazskikh respublikakh. M.: REGNUM. 2012. P. 28–33. O protsesse pereseleniya gortsev na dagestanskuyu ravninu see: Yu.Yu. Karpov. Pereselenie gortsev Dagestana na ravninu: k istorii razvitiia prostessa I sotsiokulturnym ego posledstviyam // Yu.Yu. Karpov. Traditsii narodov Kavkaza d meniyuschemsia mire. СПб.: Peterburgskoe vostokovedenie. 2010. P. 402–447; M.-P.A. Ibragimov. Etnodemograficheskaya situatsiya v Dagestane v posledney treti XX – nachale XXI veka // Vestnik Dagestanskogo nauchnogo tsentra RAN. № 34. 2009. P. 48–56; A.I. Osmanov. Agrarnye preobrazovania v Dagestane I pereselenie gortsev na ravninu (20–70-e gody XX veka). Makhachkala. 2000; Yu.Yu. Karpov, E.L. Kapustina. Gortsy posle gor. Migratsionnie protsessy v Dagestane v XX – nachale XXI vekov.: ikh sotsialnie I kulturnie posledstvia I perspektivy. Sankt-Peterburg: Peterburgskoe vostokovedenie. 2011. (K. Kazenin. The elements of the Caucasus: land, power and ideology in the North Caucasus Republics. M.: REGNUM. 2012. P. 28-33. On the process of resettlement of highlanders to the Dagestani plains see: Yu.Yu. Karpov (ed.). Resettlement of Dagestani highlanders to the plain: the history of the process development and its social and cultural implications // Yu.Yu. Karpov (ed.). Traditions of the Caucasian peoples in a Changing World. S.-Pb.: Petersburg Orientalism. 2010. P. 402-447, M.- R.A. Ibragimov. Ethnic and demographic situation in Dagestan in the last third of the XXth - early XXI century // Bulletin of the Dagestan Scientific Center, Russian Academy of Sciences. No. 34. 2009. P. 48-56; A.I. Osmanov. Agrarian reforms and resettlement of Dagestani highlanders to the plain (20-70-ies of the XXth century). Makhachkala. 2000; Yu.Yu. Karpov, E.L. Kapustina. Highlanders after the mountains. Migration processes in Dagestan in the XX - early XXI century: Their social and ethno-cultural implications and prospects. St. Petersburg: Petersburg Orientalism. 2011.)

situation does not change, the launch of the agricultural industrial park may exacerbate the existing conflicts in the plains of Dagestan.

As will be shown below, it is the dispute about the transhumance land and the status of villages in this area that has become one of the central themes of life in Dagestan in recent years. The positions on these issues of activists acting on behalf of the indigenous plainsmen and activists acting on behalf of the mountain people, partly moved to the plain in Soviet times, differ significantly. If a significant part of the land in the Babayurt Region is acquired for the project, and mountain residents make up the majority of the people working there, it may intensify the debates between ethnic NGOs.

Another problematic aspect of the project is that it may hinder the economic development of poultry businesses currently existing in Dagestan. According to the project design, the poultry farm, which is intended to be one of the fundamental parts of the industrial park, will produce 50 tons of meat and 650 million eggs a year. Poultry farms which have been operating in Dagestan since Soviet times (particularly in the Buinaksk and Karabudakhkent Regions) have less capacity. Currently, their activities are complicated by conflicts over property rights, but the populations of the villages where the poultry farms are located are showing interest in resolving the disputes and resuming production at the poultry farms, where it has been stopped. Obviously, the launch of a larger poultry project in the neighbourhood may call the very possibility of such a resumption into question. In practice, this will depend on the target market of the new poultry factory - Dagestan (which the "old" poultry farms serve) or an external market. In any case, it is important that the community leaders, acting on behalf of the residents of villages where the poultry farms are located, have assessed the project negatively. For example, during the general meeting of the Cohesion Union of Public Associations (specialises in protecting the interests of the indigenous inhabitants of the Dagestan plains) held in Makhachkala on 31 October 2012 one of the speakers said¹: "I believe that there is no need to build this factory. It would be cheaper, for the Dagestan government to have considered updating the existing poultry farms. The construction of this farm is a source of dissatisfaction for the employees of the existing, non-operational poultry farms which are in need of a certain small amount of investment, as they may lose their jobs and livelihoods."

Thus, despite its attractiveness in terms of scale and the creation of jobs, the industrial park project in the Babayurt Region does not currently seem to have been thought through in respect of its interaction with the local communities and the protection of their interests. Similar problems are characteristic of an even more ambitious investment project implemented in the North Caucasus – the construction of resorts.

This can be illustrated by the Arkhyz resort which is under construction. Commenting on the development in December 2012, the President of the Karachay-Cherkess Republic (KCR) Rashid Temrezov stated that this was supposed to be all-year resort, as the many leisure options in the Arkhyz Gorge (rafting, pony-trekking, therapeutic recreation, etc.) may provide for holidays beyond the ski season. The total number of hotel rooms in the the future resort is 24,000. The main question regarding the implications of the resort for the population of the region is related to the prospects of saving the tourist business which already exists in the mountains of the Karachay-Cherkess Republic. Currently, Arkhyz without any operable skiing infrastructure is able simultaneously to accommodate about 1,000 tourists; the main accommodation locations being health resorts left over from the Soviet era (partially owned by companies located outside of the region) and private mini-hotels. The Dombay Ski resort lo-

¹ Minutes of the Meeting courtesy of the author.

cated in the adjacent valley can accommodate up to 5,000 tourists, mostly in private hotels with 10-15 to 300 rooms¹. Given the instability in the North Caucasus, entrepreneurs operating in the KCR tourist industry do not predict a significant increase in the total number of tourists coming to the region. This means that the businesses now engaged in the tourism sector will have to compete for tourists with a new infrastructurally more developed resort. And, to our knowledge, there are no proposed options for the development of the local tourist industry in cooperation with the new resort.

There are also no schemes for local participation in the food supply chain for the future resort. The level of meat production in the KCR is such that it easily covers the needs of the existing resorts. For example, the annual demand for mutton at the Dombay resort, estimated at about 5,000 animals, corresponds to the current volume of production in only in the Teberdinsky Valley adjacent to the resort. However, if the Arkhyz resort operates throughout the year, regional producers are unlikely to be able to meet its needs. This is the result of the existing animal husbandry arrangements in the KCR.

The fact is, that the local pastures with special herbal content, which affects the quality of the meat, are suitable for grazing for only about five months of the year due to the climatic conditions. The rest of the cattle are stall-fed. According to our field data, the animal housing facilities available to local farmers, as a rule, allow each to take no more than 100-150 animals for fattening. However, a large resort business, as compared, for example, to the small and mid-range Dombay hotels, will obviously be more interested in working with wholesale suppliers who can provide a regular supply with consistent quality. And according to national agricultural entrepreneurs, to provide an uninterrupted monthly supply of at least 500 sheep, a farmer requires a fairly large feeding complex - not yet available in the region. If by the launch of the resort this facility has not been created, then it is likely that Arkhyz managers will give preference to suppliers from other regions.

So, the two large enterprise projects created in the North Caucasus which we have considered, in fact do not offer any form of local community cooperation, and one of these projects could also exacerbate the existing difficulties over cooperation in the land sector. This state of affairs with the administrative support provided to the projects is unlikely to be a barrier to their implementation, but it will have negative political consequences, since the local population will not develop a conscious loyalty to these initiatives of the federal government in the North Caucasus.

Renaissance of the national movement in the North Caucasus

In 2012, in some regions of the North Caucasus, especially in Dagestan a noticeable strengthening of national social movements has been observed compared to previous years. Their involvement in local politics is not as important at the moment as in the first years after the collapse of the Soviet Union, but it is much more active than in the mid-2000s.

Formal and informal social movements, positioning themselves as defenders of the interests of a particular ethnic group, first loudly declared themselves in the North Caucasus in the late 1980s - 1990s. Their goals and rhetoric were substantially different from region to region.

¹ For information on the Dombay resort economy see: I.V.Starodubrovskaya, N.V.Zubarevich, D.V.Sokolov, T.P.Intigrinova, N.I.Mironova, H.G.Mahomedov. Severniy Kavkaz: modernizatsionniy vyzov. M.: Izdatelskiy dom «Delo» (RANKHiGS). 2011. P.196–234 (I.V. Starodubrovskaya, N.V. Zubarevich, D.V. Sokolov, T.P. Intigrinova, N.I. Mironova, Kh.G. Magomedov. North Caucasus: the modernization challenge. Moscow: Delo Publishing House (Russian Presidential Academy of National Economy and Public Administration). 2011. P.196-234).

For example, in the North-West Caucasus (primarily in Kabardino-Balkaria and Karachay-Cherkessia) the national movements raised the question of changing the boundaries between ethnic subjects (in particular, the separation of Balkaria and Karachay) and on the ethnic principles of forming the government¹. In Dagestan the leaders of national movements also paid much attention to the problem of ethnic representation "at the top", but were more interested in the distribution of the disputed land on the plain.

By the mid-2000s, the activity of the national movements had obviously declined in all regions of the North Caucasus. This can partly be explained by the aging of the "agenda" of these movements. The question of changing the boundaries of the regions have not been discussed recently (the last "surge" of discussions took place during the very contentious elections of the President of the KCR in 1999). Ethnic representation of the North Caucasus republics in the government had, in general, stabilised by the middle of the second post-Soviet decade, as a result of specific informal agreements.

A subsequent revival of national movements in the North-West Caucasus occurred in the second half of the 2000s and as a result of specific reasons for each region. So, in the KCR the ethnic community leaders were involved in lobbying for the interests of certain parties in opposition to the regional elite. In the Kabardino-Balkaria Republic (KBR), the resurgence of national movements was connected with the problems which had occurred in the region due to the implementation of the "Federal Law On Local Administration", while the relationship of the national movements to the part of the local elite opposed to the Republican government was also quickly revealed.

The ethnic community structures which asserted themselves in the political life of Dagestan in 2012 are quite clearly divided into *two groups*.

The first group consists of structures desirous of a partnership dialogue with the federal and regional authorities, and of attracting the attention of the federal media. One result of such activities is the acquisition of prominent publicity for the national organisations and the legalisation of the national movements in the eyes of the authorities (the latter may occur without the unconditional support of the national movements by the authorities). Organisations in this group pay less attention to the struggle for power and property at a municipal level, land conflicts, etc.

The second group includes ethnic organisations and movements, which, to the contrary, are focused on protecting the interests of their ethnic groups in the most "local" fields, such as land tenure, local government, etc. These organisations are usually tough opposition for the Republican authorities but have no appreciable access to the federal media.

In 2012, the most prominent organisation of the first group was the *Federal Lezgin National and Cultural Autonomy (FLNCA)*². Last year, this organisation put forward some objectives which go beyond the Dagestani interior problems. The FLNCA has paid most attention

¹ See I.L.Babich. Sootnoshenie politicheskoy, religioznoy i etnicheskoy identichnosti v sovremennom kabardino-balkarskom obshestve // M.Olkott, A.Malashenko (sost.). Faktor etnokonfessionalnoy samobitnosti v postsovetskom obshestve. M.:Karnegi Tsent. 1998. P. 140–165 (I.L. Babich. The ratio of the political, religious and ethnic identity in the modern Kabardino-Balkar society // M. Alcott, A. Malashenko (ed.). Factor of ethnic and religious identity in the post-Soviet society. M.: Carnegie Center. 1998. P. 140-165).

² Incorporated in 1999 by the National and Cultural Autonomies of Siberian Lezgins, in 2007–2008 it merged with the Dagestani, Moscow and several other National and Cultural Autonomies of Lezgins.

to the status of Lezgins as a divided nation, after the collapse of the USSR¹, partly living in the territory of Russia (mainly in areas of southern Dagestan) and partly in the northern part of Azerbaijan. The problems of the Azerbaijani Lezgins, particularly those enclaves in Azerbaijan where Lezgins live, who are Russian citizens (Kharkh-Uba and Uryan-Uba), were the main point of discussion at the recent IV FLNCA Congress held on 9 November 2012 in Moscow². Criticising the Republican government for the unsatisfactory economic situation in the Lezgin regions of Dagestan, and the federal authorities for the poor protection of the interests of Lezgins in Azerbaijan, the FLNCA nevertheless demonstrated its desire to cooperate both with the Kremlin and the official Makhachkala. For example, in response to a call made by the Presidential Administration, during the November Congress, FLNCA leaders expressed their willingness to intensify their work with the Lezghin diaspora across Russia.

*The Avar National and Cultural Autonomy (NCA)*³ also showed certain activity in the federal public arena in 2012. Unlike the FLNCA with the Lezgin, where the community leaders and entrepreneurs living in Moscow constitute its backbone, the Avar NCA is mainly constituted of Avar intellectuals living in Dagestan. In part they moved in the "fairway" of the FLNCA in 2012. For example, in May 2012 the two organisations held a joint conference in Moscow⁴ on the problem of the division of the Caucasian peoples (Avars live in the northern part of Azerbaijan along with the Lezgins). The activities of the Avar NCA cannot but reflect the fact that there are influential municipal Avar administrators in Dagestan, having political ambitions at a Republican level and not always finding a common language with the regional government. In this regard, there was the situation with the failed "Congress of Lezgin and Avar Peoples" planned for October 2012 in the Dagestani town of Khasavyurt, with its head, Saidpasha Umakhanov, being the most prominent representative of the "Avar Club" of municipal heads. He has repeatedly criticised the current government of the region, and at least since the mid-2000s has been considered a potential candidate for the highest office in Dagestan. Information on the preparation of the Congress appeared in the federal media on 24 September 2012 but two days later was denied by the Khasavyurt Mayor's Office⁵. According to our information, the Congress was actually prepared by activists of the Avar NCA, but it has been delayed due to disagreements between the organisers. Whether Umakhanov's team was involved or not, this situation confirms that the logic of development of the Avar national movement inevitably raises the question of its interaction with the Avar political "heavy-weights".

The *second group* of ethnic organisations primarily serve on land issues. Their work is mainly focused on the support of local communities who have land claims. In 2012, increased activity in this field in Dagestan showed, in particular, the Cohesion Union of Public Associations protecting the interests of the peoples of the plains (primarily Kumyks and Nogai). The

¹ For additional information see: M.E.Alekseev, K.I.Kazenin, M.Suleimanov. Dagestanskije narody Azerbaidzhana: politika, istoriya, kultura. M.:Evropa. 2006 (M.E. Alekseyev, K.I. Kazenin, M. Suleymanov. Dagestani peoples of Azerbaijan: politics, history, culture. M.: Europe. 2006).

² Uchastniki syezda FLNKA raskritikovali dogovor Rossii i Azerbaidzhana o gosgranitse // Kavkazskiy uzel, 11 noyabrya 2012 (Members of the FLNCA Congress criticized the treaty on the state border between Russia and Azerbaijan // Caucasian Node, November 11, 2012) (<http://www.kavkaz-uzel.ru/articles/215543/>).

³ Registered at local level, it is currently being registered at the federal level.

⁴ V Moskve obsudili problem dagestantsev, prozhivaiushih v Azerbaidzhane (The problems of Dagestan people living in Azerbaijan were discussed in Moscow) // IA REGNUM, May 18, 2012 (<http://regnum.ru/news/1542825.html>).

⁵ Syezd lezgin i avartsev ne budet prokhorit v Khasavyurte (Congress of Lezgin and Avar Peoples will be held in Khasavyurt) // IA REX, September 26, 2012. (<http://www.iarex.ru/news/29496.html>).

ideology of this organisation is based primarily on their criticism of the current status of the transhumance land (on this status, see Section 6.7.1). The Activists of Cohesion argue that the land, with a total area close to 1 million hectares in the Dagestani plain was unfairly taken from the plain regions and the majority of it is not used for its legitimate agricultural purposes, being the source of rent for small groups of officials from the mountainous regions of Dagestan. Opponents of Cohesion, mainly represented in public by the heads of several villages located in the transhumance lands, indicate that the mountain peoples of Dagestan had put a lot of work into the development of these lands during the last Soviet decades, and therefore have no less rights than the plain "autochthons". Along with Cohesion, the public interests of the latter group are protected by ethnic NGOs - Nogai Birlik and Kumyk Tenglik¹.

In 2012, there were at least two notable actions on land issues by the Dagestani plain peoples. Interestingly, in both cases, the transhumance land was not the immediate object of the conflict. In the spring of 2012 residents of three Kumyk settlements in the suburbs of Makhachkala (Alburikent, Kyakhulay and Tarki) started a protest action. They camped on the land to the north of Makhachkala, which, until 1944, had belonged to these villages but has now been sold to private individuals for development². In 1944, the residents of these three villages were resettled on the land left vacant after the deportation of the Chechens; upon the return of the Chechens in 1957, the residents of the villages returned to their homes, but the land to the north of Makhachkala has not been returned to the villages. In the vicinity of the disputed land there is also the territory, which in early 1990 was allocated for the resettlement of residents of the Novolaksk region of Dagestan, where the Chechens claimed their right to the land near the Dagestan-Chechen border.

The camp created in spring 2012 lasted for 2 months, and residents of the settlements later conducted several meetings in the same area. The immediate issue in this case was about 200 hectares of land, which is not going to be used for agricultural purposes either by the current owners or by the villagers. However, representatives of the NGOs, denouncing the existing system of land relations in the Dagestan plain, in general supported the protests and participated in the negotiations between the organisers and the Republican authorities (as of the end of 2012, these negotiations had seen no particular results).

A kind of response to the Kumyk actions was the Congress of Lak people held in Makhachkala on 28 September 2012. This Congress, attended mainly by opposition community leaders, demanded the unconditional implementation of the decision to grant the land to the immigrants (people of the Novolaksk Region) and harshly criticised the regional authorities for the delay in this matter³. Due to the proximity of the relevant land, the claims of Lak and Kumyk community members are inevitably interdependent and conflictual to some degree.

Another example of the mass action of plainsmen on land issues took place in the Kizlyar Region where, in the summer of 2012, the Nogai people living in Novokrestyanovskoye village came into conflict with a company which had taken on the lease of part of the land adjacent to the village. On 21 June the residents came to a ploughed field on the outskirts of the village

¹ For additional information on debates on the transhumance lands see: K.Kazenin. *Elementi Kavkaza: zemlya, vlast i ideologiya v severokavkazskikh respublikah*. M.: REGNUM. 2011. P. 47–50. (K. Kazenin. *The elements of the Caucasus: land, power and ideology in the North Caucasus Republics*. M.: REGNUM. 2011. P. 47–50).

² V Makhachkale trebuyut kompensatsii za stalinskie pereseleniya (Makhachkala seeks compensation for the resettlement in the Stalin era) // IA REGNUM, May 5, 2012. (<http://regnum.ru/news/1526698.html>).

³ V Dagestane obsuzhdayut situatsiyu vokrug Novolakskogo rayona (Dagestan discusses the situation with the Novolaksky district) // IA REGNUM, October 2, 2012. (<http://regnum.ru/news/1576855.html>).

and stopped the working machinery owned by LLC Dag.agrokomplex¹. The reason for this protest action was the illegal (in their view) decision of the district administration to assign, by way of tender, the right to lease the land around the village to the external investor, while there was already a lack of land appropriate for the needs of the villagers. Note that according to our observations, in legal terms the situation in Novokrestyanovskoye, is typical of lowland Dagestan and may be repeated many times during the allocation of land for major agricultural projects: on the basis of the documents issued in 1990 residents of the village consider themselves to be the owners of shares in the former collective or state farm land, but due no survey having been carried out and ownership not being properly registered, the residents can not substantiate their claims to the land. A Kizlyar district administration official explains the problems as follows: "When these certificates were issued, it was assumed that the recipients of the certificates would organise farm holdings, be farming on a professional basis and paying taxes to the district budget. But almost none of the villagers registered their rights to the land, established farm holdings or paid land taxes".

The Novokrestyanovskoye conflict was partially resolved by direct negotiations between representatives of the villagers and the agricultural firm. Republican NGOs did not participate in it. However, it is important to consider that the Nogai NGOs showed their ability to become actively involved in land conflicts in 2011, when, with their support, residents of the Nogaisky district forced the investors to terminate construction of a sugar beet plant linked to proposed cultivation on the major part of the croplands².

In 2012, also, the KBR public activity related to land issues was mainly manifested at a municipal level, but regional ethnic organisations also participated in it. This activity was mainly related to the allocation of land for future resort construction. In January 2012, residents of three villages in the Cherek District of the KBR formed a working group of 12 people for public control over the implementation of a tourist cluster project. As previously reported, Resorts of the North Caucasus JSC (RNC JSC) planned to build a resort in this area with 170 kilometres of ski slopes³ and capable of simultaneously accommodating 15,000 tourists. According to the company, some resort facilities will be located in the area of the Khulam-Bezengi Gorge. A part of the land in the valley is owned by the agricultural FSUE, but Bezengi villagers say that the land originally belonged to them and insist that any agreement on the allocation of land for the tourist cluster must be entered into with the village, and that the village representatives must control the project at all stages of its implementation.

Later, in November-December 2012, land disputes came to the surface in the Zolsky District of the KBR. On 22 November the Government of the Republic announced the completion of the procedure for defining a special economic zone in the region (SEZs are established in all districts of the KBR where actual or planned resort construction projects are implemented). Almost simultaneously, a number of deputies of rural settlements in the Zolsky District reported to the media that village deputy meetings had "vetoed" the activity of RNC JSC in the district, as the question of which land would be transferred to the tourist cluster had not been resolved. In response, the heads of the same villages said that the residents of the villag-

¹ Aslanbek Adiev. Poluchat li «nemestnie» dustup k zemle na Severnom Kavkaze? (Aslanbek Adiev. Will the "non-locals" have access to land in the North Caucasus?) // IA REGNUM, July 27, 2012 (<http://regnum.ru/news/1554910.html>).

² V Tarumovskom rayone Dagestana realizuetsya proekt vozvedeniya sakharnogo zavoda // Kavkazskiy uzel (The construction project of a sugar factory is implemented in Tarumovsky district of Dagestan // Caucasian Node), January 20, 2012 (<http://www.kavkaz-uzel.ru/articles/199601/>).

³ Nezavisimaya gazeta (Nezavisimaya Gazeta), No.174, 29.08.2012.

es were not against the construction of resorts, and that the land issues had not been resolved since RNC JSC had provided no solutions in this regard¹.

The land issues which have caused public reaction in the KBR are currently unresolved. Further discussion will apparently take place against the background of land reform proposed by the President, Arsen Kanokov. Kanokov formulated the essence of the reform at the end of 2012 as follows: "The land is allocated and legally registered to the private ownership of particular groups of villagers, where the management practices are diverse, agricultural land cannot be split up into parcels of less than 10 ha, meaning that effective large and medium businesses will be preserved"².

In whatever format the land reform is discussed, we might expect that it will be actively influenced by regional NGOs, primarily the Balkar, as the areas for future resort construction are dominated by Balkars. They also support protests "on the ground". In particular, according to the media, Balkar activists of the public organisation the "Council of Elders of the Balkar People", together with the former head of Bezengi village, Muradin Rakhayev (in 2010 they pursued the "Hunger strike of the Balkar elders" outside the walls of the Kremlin), have played a significant role in the actions of the inhabitants of the Cherek District. Thus, forces which can transform a local protest in an aspect of regional policy are also present in the KBR. The peculiarity of this Republic is that ethnic community leaders are usually actively involved in political projects aimed against the regional authorities. In addition, according to past experience, the activities of NGOs acting on behalf of the various peoples of the KBR, can lead to a confrontation between them. The region has developed a whole tradition of controversy between the social activists acting on behalf of the Balkars and the social activists acting on behalf of the Kabardins. The former insist on the full transfer of the mountain lands to the Balkar villages whilst the latter recall the controversy of "ethnic borders" in the mountains, and that of the Soviet era and where previous inhabitants of the neighbouring valley could enjoy the mountain land in the vicinity of Elbrus³. These contradictions are of direct relevance to the land proposed for construction of the new resort.

Thus, major land allocation for new projects in the Daghestan plains and mountains of the KBR are causing protests amongst the local population and can be catalysts for political upheaval on a larger scale. Republican NGOs speaking from an ethnic point of view have been directly involved in a number of the conflicts mentioned herein. Some of these organisations have victories to their credit in land battles at a municipal level. Thus, the implementation of large investment projects in the North Caucasus is increasing the role of ethnicity in local politics, which, could obviously lead to an overall increase in conflicts in the region.

In addition to supporting the protests of local people on land issues, some of these organisations have participated in the opposition's political projects. For example, representatives of

¹ Deputati Zolskogo rayona ne zapreshali stroitelstva turklastera (Deputies of the Zolsky District did not prohibit the construction of the tourist cluster) // IA REGNUM, December 4, 2012. (<http://regnum.ru/news/1600606.html>).

² Zemlua dolzhna stat rynochnym instrumentom – glava KBR (The land should be a market instrument - the head of the KBR) // Interfax, October 24, 2012 (<http://www.interfax-russia.ru/South/main.asp?id=355348>); for the background of the land reform in KBR see: K.Kazenin. «Tikhie» konflikty na Severnom Kavkaze: Adygeia, Kabardino-Balkariya, Karachaevo-Cherkessia (K.Kazenin. "Quiet" conflicts in the North Caucasus: Adygea, Kabardino-Balkaria, Karachay-Cherkessia.). M.: REGNUM. 2009. C. 81–110.

³ For additional information see: K.I.Kazenin. Kabardino-Balkarskaya Respublika // I.G.Kossikov (sost.). Respubliki Severnogo Kavkaza: etnopoliticheskaya situatsiya i otnosheniya s federalnim tsentrom. M.: Makspress 2012. (K.I. Kazenin. Kabardino-Balkar Republic // I.G. Kosikov (ed.). Republics of the North Caucasus: ethno-political situation and relations with the federal center. M. Max Press. 2012.). P. 183–212.

the Solidarity movement were present at the “Congress of Dagestani Peoples” held in Moscow in October 2012¹, organised by a number of ex-officials of Dagestan and critical of the republican authorities. In addition to organisations claiming to be the defenders of entire ethnic groups the Congress also invited the representatives of many public structures (mostly without official registration) engaged in anti-corruption activities, or protecting the interests of residents in conflict with officials and businessmen. An example is the “Anti-Corruption Committee of the Tabasaran District” who presented at the Congress. Such social activist unions are not directly ethnic, but as a rule, they act on behalf of mono-ethnic groups.

Thus, ethnic social structures have formed a kind of a "division of labour": some are actively opposed to the authorities and protect the interests of communities, whilst others legitimise a new high level of national movements in the public arena. Currently, these two processes are almost independent of each other, as there is no visible evidence of cooperation between these structures. But if they begin to interact with each other, this will lead to the formation of ethnic social structures that will combine publicity experience at a federal level and the support of local communities. The opportunities for such structures will inevitably be wider and the "elements" that are required to create them² already exist.

¹ Dagestanskaya oppositsiya otpravilas v Moskvu razroznennimi gruppami (Dagestani opposition went to Moscow in separate groups) // IA REGNUM, October 24, 2012 (<http://regnum.ru/news/1585835.html>).

² For additional information on the ethnic factors of contemporary conflicts in the North Caucasus see: I.V.Starodubrovskaya, D.V.Sokolov. Istoki konfliktov na Severnom Kavkaze. M.: Izdatelskiy dom «Delo» (RANKHiGS) (I.V. Starodubrovskaya, D.V. Sokolov. The origin of conflict in the North Caucasus. M.: Delo Publishing House (Russian Presidential Academy of National Economy and Public Administration)). 2013. P.78–128.