

POLITICAL AND ECONOMIC RESULTS IN JULY 2013

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In July 2013, Russian opposition leader Aleksei Navalny was sentenced to five years in prison. It appears, however, that he would be allowed – on procedural grounds, since no appeal hearing has been held yet – to run for mayor in mayoral elections in Moscow on September 8, 2013. A combination of Kremlin’s decision to allow Navalny to run for mayor in the election and demonstration of the likelihood of his real imprisonment has made the upcoming Moscow mayoral elections highly politicized, boosted social activity, and may well result in problems for S. Sobyenin. With regard to the Navalny case itself, putting aside ethic ambiguity of the story about a timber trading company controlled by a friendly governor, it is technically another notorious confirmation of the fact that any business in Russia might just as well be criminalized through subjective evaluation of the ‘fair value’ by law enforcement authorities and courts. RAS (Russian Academy of Science) reform has been delayed as expected: the academic society has managed to come to President Putin’s attention and gain certain concessions from him.

July 2013 has been overheated by political developments featuring two events, namely all-Russia single voting day scheduled on September 8 (registration of candidates and party lists has been completed in July, and a distribution of political forces has been developed) and the development of the Navalny case – a guilty verdict by the Kirov court against the opposition leader himself and his all-in-all circumstantial companion in adversity, businessman P. Ofitserov. Moreover, the events have turned out to be interconnected, because A. Navalny announced he would run for mayor in the mayoral elections in Moscow.

Early mayoral elections in Moscow, which were unexpectedly announced in June 2013, have turned out to be a serious political event. Prior to that, there were rumors about such elections, but governors are normally elected in Russia under nondemocratic rules which allow unwanted persons to be tossed out at the stage of candidate registration, when they have to pass through a so-called municipal filter by collecting signatures in their support from 5 to 10% of municipal (city council) members, in which case each municipal member may sign in favor of one candidate, and municipal members must represent 3/4 of municipalities. Though being seemingly easy to pass through (6%), the Moscow filter has turned out to be very tough, because new territories having small elective body and lacking independent municipal members were annexed to Moscow. In fact, apart from the official candidate, only the Communist Party candidate (communists named one of their leaders a candidate, I. Melnikov, a professor at Moscow State University) had a chance (not 100% though) to pass through the filter. Originally, the elections seemed to have been designed to be held with low voting turnout and lack of intrigue, but a high-percentage-of-votes report.

Furthermore, businessman M. Prokhorov – who was ranked 2nd in Moscow during the presidential elections held in March 2012 – withdrew from elections under a flimsy pretext of having not enough time to restructure his overseas assets. Eventually, however, S. Sobyenin made a gentleman decision to share municipal members’ signatures with a few candidates, namely N. Levichev from Spravedlivaya Rossiya (Just Russia), M. Degtyarev from LDPR (Liberal Democratic Party of Russia), and S. Mitrokhin from Yabloko, as well as opposition member A. Navalny¹. However, the intrigue seemed to be incomplete yet, because pursuant to the recent Russian legislation novels, persons convicted (charged with imprisonment or suspended sentence) under grave offences must forfeit the right to be elected *ad vitam*. Consequently, if Navalny’s sentence took legal effect after appeal prior to September 8, he would be withdrawn from election². The verdict was already delivered – A. Navalny was sentenced to 5 years in prison, whereas his partner in crime P. Ofitserov to 4 years in prison, however, they were unexpectedly released in the courtroom under the pretext that an appeal had been filed and the verdict hadn’t taken legal effect yet (an extremely rare but formally possible legal case). Given that Navalny announced that he would withdraw from election if he was restrained of liberty, the Kremlin has made it clear that Navalny will be allowed to run for mayor in the upcoming mayoral elections in Moscow.

1 There is another large businessman who has been withdrawn from election, billionaire G. Fetisov who by himself collected more than 50% of the required signatures, but was denied Sobyenin’s support. The federal government seems to be afraid of competing with politicians with sufficient resources.

2 There is another casus, when a candidate may be removed from the voting paper not later than five days prior to the election day, in which case, it is not clear which of the laws should prevail.

Though being more or less good enough in view of democratic principles and standards, the mayoral campaign in Moscow may pose an extremely major threat to both the Russian political regime in general and S. Sobyenin in particular. Having been prompted to run fair elections, the Kremlin is running the risk of having obtained an extremely bad result – at least a second runoff – instead of a convincing victory. Heavy politicization and polarization of the society sympathizing with Navalny as victim of lawlessness facing real imprisonment can offer nothing good to S. Sobyenin. United Russia and President Putin failed to win even 50% of votes in Moscow at the latest parliamentary and presidential elections. With regard to S. Sobyenin, although there are no gross failures his performance record, he hasn't been very successful over the past three years: the transport issue in the city has been deteriorating, Moscow citizens resent the rush of illegal migrants (Moscow citizens don't mind that the issue is formally out of mayor's competence), there is high crime rate, and lots of corruption scandals ranging from the barbarian "municipal street improvement" with paving slabs and endless lawn mowing on out to a pointless war with kiosks which already were removed for more than three times. Finally, the Moscow subway, where successful construction of new stations is supposed to demonstrate one of the 'highlights' of the electoral campaign supported by the Kremlin, has recently begun to suffer major accidents every week. Therefore, the Kremlin might end up facing unpleasant surprises instead of a triumph win at fair elections. With regard to the opposition, above all, A. Navalny himself, they would gain in any case: their advocates would forgive them any defeat by a slender minority, whereas the very likely second option would actually legitimize Navalny as the key political competitor of the Kremlin, not a pilferer and political loser, as they would like him to become.

Concerning other candidates, all candidates from parliamentary parties (who used to follow the logics of voting in favor of any party but United Russia) are expected to obtain worse results, except for communists who wouldn't suffer heavy defeat, because they always win around 10% of votes. The elections might become an electoral catastrophe for Just Russia and LDPR. It is very hard to make forecast for S. Mitrokhin, because his result is very unpredictable: he might either win some votes of liberals for whom A. Navalny is not a good option, or get nowhere.

In other regions, M. Prokhorov's Civil Platform's potential result in the upcoming governor elections is being in the spotlight. The party participates for the first time in regional party-list elections (in Yaroslavl, the party-list is headed by recently arrested mayor

E. Uralshov who has gradually been transforming into a 'regional Navalny'. In Yekaterinburg, drugbuster and former city council member E. Roizman has good changes to win mayoral elections). Other parties' candidates should be thankful, at the very least, for having an opportunity to be elected as members of legislative bodies in several regions, with Fetisov's Alyans Zelyonykh (Green Alliance) having good chances. Traditional left-wing parties such as KPRF (communists) and Just Russia have good chances to challenge United Russia in such regions as Arkhangelsk, Smolensk, Irkutsk, as well as at Voronezh mayoral elections.

Returning to the Navalny case which is being of concern in Russia and abroad as the one similar to the YUKOS case, a wide-scale precedent which allows one to look at the law and order in Russia, let's try to give most fair and square picture free from any political creed and hysteria. In fact, Navalny and P. Ofitserov were accused of having set up a purchase-and-sale deal between a Vyatskaya Lesnaya Kompaniya (Vyatka Wood Company) and SUE (State Unitary Enterprise) Kirovles when A. Navalny worked as governors' advisor on a voluntary basis. The prosecution believes that such a transaction was hard bargain for SUE Kirovles, having criminalized Navalny's and Ofitserov's activity under Article 160 (Misappropriation and Embezzlement) of the Criminal Code of Russia and accused them of misappropriation of at least the buy-sell spread of the timber they sold. On top of that, it appeared that a Plenum of the Supreme Court of Russia issued absurd resolutions which suggest that in such cases the amount of damage is to be equal to the total amount of a transaction, which is Rb 16m in the Navalny case. Therefore, the Navalny case is just one of the numerous similar cases initiated against businessmen and based on arbitrary explanation of transactions' fair value by investigators and courts (which may appear to have no economic education at all). Furthermore, such a "fair value" can further be used to calculate the value of stolen assets, unpaid taxes, etc. The same scheme was used in other notorious case, i.e. the YUKOS case. Indeed, such a practice must be completely eliminated in a country with freedom of collective bargaining, and real economic control must be based on comparing market prices, values of economic agent's similar transactions, according to the procedure provided for by Article 40 of the Tax Code of Russia¹. A bad news for Navalny is that though he might have committed no criminal offence, organization of commercial transactions by governor's advisor between a SUE within

¹ The legal practice under this article is quite controversial too. Furthermore, though provisions of the article are ill-defined, at least it allows assessments to be made.

governor powers jurisdiction and a friendly entity is a perfect illustration of conflict of interests and the common practice of state-owned companies which Navalny himself repeatedly criticized. And if Navalny wasn't under the threat of unjust imprisonment, his advocates would have nothing to say about a parallel between, for instance, Navalny and Gunvor's owner Timchenko, except for the scale of their business.

In July, the list of political prisoners was complemented with Yaroslavl mayor E. Urlashov who was elected by winning 70% of votes in March 2012 and has recently announced that he will run for governor in the upcoming governor elections. The technique of the Urlashov case is much more simple: having spared themselves any economic investigations, law enforcement officers simply found a few persons who then testified against Urlashov on bribetaking. Having failed to fine any bribe money, the prosecution demonstrated some blurred video and audio records which revealed neither money itself nor any mentioning thereof (the phrase "meet your obligations", which may be interpreted *ad libitum*, was incriminated on a record). It is therefore clear that there was no money at all: if a person was under surveillance, he/she could be caught red-handed. This case, which resembles the case of D. Dovgoi, the former Head of Investigation Department of the Investigative Committee of the Russian Federation, has pointed to another risk which the Russians may be exposed to: conviction with no physical evidence at all, but rather on the ground of allegations of some provocateurs being under the threat of facing a similar case for non-obedience. Such cases are especially dangerous, as laymen often fail to consider them as political and economic cases, because it may be a common criminal offence with a slovenly fabricated investigation.

In July the struggle around the RAS (Russian Academy of Science) reform has been continuing since its onset in the previous month, when the Russian Government submitted a respective draft law to the State Duma as if it was a special operation. The essence of the draft law was to put an end to academic autonomy of the institutes within the RAS framework and make them report to government officials. As expected, the outcome still remains to be seen. New head of RAS V. Fortov did his best to meet with and extract important promises from President Putin. In particular, Fortov himself will be managing RAS assets in the transition period. In addition, the third and final reading of the draft law was postponed until the upcoming fall, thereby allowing it to be amended and updated. More than 70 academicians – most of them represent technical and natural sciences and have the credit of high citation ratio, rather than justly criticized retired humanists – signed an application announcing their refusal to join a new academy of science. Even many of those public figures and scientists who previously supported the Ministry of Education and Science of Russia, have turned their back on it, because the reform appears to be too scandalous both in essence and form. Later, a wide front is expected to appear in opposition to the Ministry and its politicization: Russia's most famous and independent scientists are expected to make radical demands, while the RAS managers extract concessions. All the more so, because the Ministry itself keeps producing public problems: Head of Rosobrnadzor (Federal Education and Science Supervision Agency) I. Muravyov has been dismissed in July, having fallen victim to the summer scandal around public leakage of options of the answers to USE (Unified State Exams) questions. Therefore, the RAS is very likely to outlive the incumbent Minister. ●