

Oil giant Yukos and the struggle for Russian energy sources

By Ulrich Rippert
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On December 23, the American government renewed its sharp criticism of the action taken by Russian authorities to break up the oil company Yukos. Adam Ereli, US State Department deputy spokesperson, told journalists in Washington that the takeover of Yuganskneftegas, the most important Yukos production company, was “not open or transparent.”

“We think this sends the wrong signals to foreign investors,” Ereli explained. He warned the Kremlin government that its activities with regard to Yukos could “negatively” affect the role of Russia in the world economy.

One day previously, the Russian national oil company Rosneft announced the takeover of the Baikal banking syndicate. It thereby confirmed rumours that the banking syndicate, which was unknown up to this point, and which on December 19 received the order to take over the Yukos subsidiary for the sum of 7 billion euros, functioned as nothing less than a stooge for the Putin government.

With this move, the Russian government once again re-established at least provisional control of a part of Russian energy sources. In the late summer, Rosneft had declared its intention of merging with the semi-state-owned Russian gas company Gazprom, which would result in an increase of state holding in Gazprom from the present 38 percent to 51 percent.

On the eve of the compulsory auction, a bankruptcy court in Houston, Texas, had issued a provisional order against the sale, arguing that many American investors would be affected by the decision. The Russian authorities were not impressed. Putin’s reaction was later reflected in the media with words to the effect that the gentlemen from Texas evidently understands very little about Russian legal dealings and probably hardly knows where to find Russia on the map.

President Bush reacted in a similarly terse manner. He announced that he would raise the issue of Yukos with Putin in the course of his forthcoming trip to Europe. Through White House spokesman McClellan, he made his opinion clear that Russia had a responsibility to create a climate in which property rights and legal norms were protected.

The “property rights and legal norms” referred to by Bush mean nothing less than the unrestrained right of American companies the world over to plunder raw materials and then declare any resistance it meets on the way as illegal or of a terrorist nature.

The struggle for Yukos demonstrates in concentrated form the increasing collision of opposing interests between Russia, America and Europe—and above all Germany.

Up until one and a half years ago, the Yukos company was unquestionably regarded as the main player in the Russian oil industry. Company founder Mikhail Khodorkovsky belonged to the most ruthless groups of oligarchs who, in the 1990s, acquired a majority of Soviet state property using mafia methods. He is accused of being behind a number of murders and attempted murders of officials and business partners.

Khodorkovsky began his career as a Stalinist bureaucrat in the Soviet Federation of Young Communists, the Komsomol. In 1987, he used his

position in a Komsomol regional committee to establish a business enterprise named Menatep. During the years of perestroika, he transformed Menatep into a bank and began the quiet and uncontrolled transfer of public funds into his accounts.

As large-scale privatisation took flight in the middle of the 1990s, Khodorkovsky used these funds to seal deals with his friends in the Kremlin, which enabled him to purchase enormous former national industrial complexes and chemical plants for a fraction of their real value. In 1995, he bought Yukos for just \$300 million. Shortly afterwards, the company was assessed to have a market value of \$30 billion.

While the large majority of the Russian population lives in bitter poverty, and increasing numbers of jobs have been destroyed, a handful of super-rich oligarchs have been able to squander the majority of the country’s wealth and transfer billions abroad.

Khodorkovsky, however, went one step further. In close cooperation with Washington and American oil companies Chevron and Exxon—which, as was reported in several press releases, were negotiating for a takeover of up to 50 percent of Yukos—he began to develop his own version of a foreign policy. The negotiations with Chevron and Exxon also covered the building of their own pipeline net, in order to break up the state monopoly over oil pipelines and reroute the flow of oil to the world market so as to avoid Russia.

The closeness of the contacts between American business and political circles is also clear from the fact that, before being appointed national security advisor, Condoleezza Rice was a member of the Chevron board of directors for a period of 10 years. The US company even named an oil tanker after her. For his part, US Vice President Richard Cheney has played a key role in negotiations over the building of oil pipelines in the Caspian region. Chevron is the largest oil company operative in the Caspian Pipeline Consortium.

“Up until 2003, the doors in Washington were open for Khodorkovsky,” wrote *Der Spiegel* in a recent edition. “He was the key figure for Russian-American energy dialogue, a kind of elevated prospecting agent for US oil companies in the billion-strong Monopoly game for raw materials reserves in Putin’s realm.”

Over a period of time, increasing numbers of American managers assembled in the executive committee of Yukos, and Khodorkovsky began to intervene more directly in Russian political development. With generous donations, he financed so-called “democratic opposition parties” and tried to exploit the widespread discontent with the Putin regime and the increasing social crisis in the country to instigate a regime change. Just a few weeks ago, it was possible to observe in the course of the Ukraine elections how this kind of politics operates (i.e., how a “democracy movement” controlled by millionaires was used to bring to power a pro-Washington government).

In the spring of 2003, the Russian government then went on the offensive. The Council for National Security published a report in May concerning a conspiracy between some oligarchs for a seizure of power in

Russia. A few weeks later, the Yukos head of security, Alexei Pitshugin, was arrested on charges of incitement to murder. At the beginning of July, police arrested Platon Lebedev, millionaire and joint owner of Yukos. He was accused of swindling 283 million roubles (today approx. 8-9 million euros) from the state in the course of the privatisation of the chemical enterprise Apapit. One week later, on July 9, 2003, the chief public prosecutor's office opened a preliminary investigation into Yukos on charges of tax evasion. On the same day, the offices of the company's bank Menatep in St. Petersburg were raided and searched.

On September 4, Yukos bought the liberal weekly paper *Moskoskie novosti* and tried to present the state's actions as a conspiracy by prominent members of the presidential administration against "free employers." The Russian trade association RSPD and the association Business-Russia sent letters of protest to Putin and called for further protest actions.

One month later, on October 25, 2003, Mikhail Khodorkovsky was arrested. A few days later he resigned as company head. His immediate successor was the US manager Simon Kukes, who was replaced a half-year later by Steven Theede, the former chief manager of the third-biggest American energy enterprise, ConocoPhillips.

It was thus no coincidence that Yukos appealed at the last minute to an American court for creditor protection to prevent the compulsory auction of its most important enterprise. It reflected the fact that influential US companies have used Yukos for quite some time to implement their interests. After the Russian authorities ignored the court decision in Texas and took action, Yukos announced it will take legal action seeking damages from all those who took part in the auction.

The American judicial ruling, however, was not only directed against the Putin government, whose actions will in any case not be affected by Texas law. It is also aimed at the "strategic partnership" between Berlin and Moscow, which has regulated energy industry exchanges between both countries for quite some time.

Originally, it was planned for the Russian energy company Gazprom to take over the core business of Yukos. In addition, a European bank group was created under the auspices of the Deutsche Bank and the Dutch financial institute ABN Amro, which was prepared to provide Gazprom with the necessary billions in loans. Following the judicial ruling in Texas, however, the European banks withdrew the deal—at least for the time being. They feared repressive measures directed at their American branches and international financial transactions.

This does not mean, however, any reduction in German-Russian cooperation in the energy sector. Both countries are merely seeking possibilities to avoid direct confrontation with the US. In October last year Deutsche Bank had already granted Gazprom a credit of more than \$200 million to support the company's plans for expansion. The German power supplier E.ON already has a 6.4 percent share in Gazprom through its subsidiary Ruhrgas. At the beginning of December, the *Sddeutsche Zeitung* reported that Deutsche Bank had received a contract to act as company adviser to Gazprom.

Gazprom is currently the world's biggest natural gas producer, responsible for 94 percent of Russian gas production and owner of all of Russia's domestic gas pipelines. With 300,000 workers, the enterprise has an annual turnover of 23 billion euros. If Gazprom succeeds in integrating the core business of Yukos and takes over the oil enterprises Rosneft and Sibneft, as planned, the company would also become the world's largest oil producer.

In response to increasing transatlantic tensions, the German government has sought to continuously develop German-Russian economic cooperation. A third of the natural gas and oil used in the Federal Republic now comes from Russia. In just four years, between 1999 and 2003, German exports to Russia increased from 5 billion to 12 billion euros, and imported goods rose from 8 billion to nearly 14 billion euros.

Last summer, German and Russian enterprises signed an outline agreement to build a gas pipeline through the Baltic Sea. The pipeline is planned to connect the gas fields of Siberia with western Europe and to emerge at the coast near Greifswald—bypassing the existing route via Ukraine and Poland. The hugely expensive project has not been finally agreed on, but the banks, large energy companies and governments on both sides of the Russian border are working intensively to finalise a deal.

There can be no doubt that the breakup of Yukos has not put an end to arguments over the control of Russian energy sources, but rather has intensified tensions. While export-oriented German business is interested in minimising conflicts with the US, the question of Russian raw materials has brought American and German interests face to face.

In contrast to Washington, which is seeking to gain access to Siberian raw materials with the assistance of oligarchs and private companies such as Khodorkovsky and Yukos, the German government relies on Putin and the Russian state. One side is no better than the other. The recent statement by German Chancellor Gerhard Schröder, in which he described Putin as an "unadulterated democrat," is just as deceitful as the US media campaign to present Khodorkovsky as a campaigner for liberty and democracy.

German imperialism is pursuing its own vital interests with the "strategic partnership" with Russia. To secure a power supply for coming decades, the German government is not only aiming to secure long-term supply contracts, it also supports the construction of large-scale joint German-Russian projects and encourages German business to invest directly in promotion rights and participate in enterprises. The result is the emergence of huge concerns capable of dominating the market—a development that flies in the face of US geo-strategic interests and that the US government will do all in its power to prevent.

Contrary to the remarks made by some commentators and Putin himself, the re-nationalisation of parts of the Russian energy industry has nothing to do with the protection of national resources from their exploitation by unscrupulous oligarchs. The Putin government is just as much a regime of the oligarchs as was its predecessor under Boris Yeltsin. Only conditions have changed. While Yeltsin broke up the Soviet Union by selling off state enterprises for dumping prices, thereby unleashing an orgy of enrichment by a small elite, Putin is trying to create a strong state that, in the interests of this same elite, is capable of suppressing growing popular resistance while establishing an "orderly framework" for further privatisation.

Capitalist restoration, however, has its own logic and consequences. Increased competition on the world market leaves little room for manoeuvre for Russian great power politics. American companies will continue and intensify their campaign aimed at Russian energy sources. To the extent that the Russian government lines up with German imperialism in these conflicts, it intensifies the imperialist contradictions that already led to two world wars in the past century.

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