

Tuesday, April 26, 2005. Issue 3154. Page 10.

## The Alfa and Omega of Business

By Konstantin Sonin

When the Yukos affair was just getting under way, many feared not only that it would instill a fear of politicians in the business community — a bad thing for business and politics alike — but also that destruction of the status quo would heat up the battle over property among businessmen themselves.

And as often happens, the experts' concerns were entirely confirmed. The corporate wars over metals facilities can be viewed as a holdover from the wild 1990s, but the conflicts surrounding Gazprom and Rosneft, which exceeded the bounds of decency, and Alfa Group are typical consequences of the policy of "endless redistribution" launched in the summer of 2003.

The Alfa Group conflict doesn't yet appear particularly worrisome. A document circulated last week outlining the criminal case ostensibly being built against the business empire's owners was a fake. The fact that President Vladimir Putin did not raise the issue of a nearly \$1 billion tax claim in his meeting with the leadership of TNK-BP last week provides some cause for optimism.

The idea of nationalizing the "Russian" half of the joint venture between BP and Tyumen Oil without affecting the "British" half also appears to be a red herring concocted by Alfa's opponents. I was told, however, that back in March someone suggested bringing world-renowned economists, including Nobel laureates, to the Kremlin in order to assess the cost of "fairly" deprivatizing Russia's largest companies. Nothing came of this suggestion, but the notion of a sweeping review of the results of privatization is obviously still alive and kicking.

Unfortunately, even minor political problems can have major repercussions for Russia's largest companies. At the very start of the Yukos affair, the company's top executives complained that the state's attack on the owners of Yukos was leading rapidly to the disintegration of the company's internal hierarchy. Managers at all levels began to jump ship, often carting off company assets or property as they went.

One of the significant differences between oligarchic conglomerates and state-owned behemoths has been their comparative resistance to "internal" theft. It turns out that reversing this process — returning a modern corporation to a pre-privatization state — takes far less time to accomplish.

Even for the independent observer, however, the active redistribution of property by modern methods has an upside. For observers close to the regime and, of course, for journalists on the take from warring companies, these are the best of times. It's a nice feeling when you realize that you're as influential and well informed as Finance Minister Alexei Kudrin and Economic Development and Trade Minister German Gref. When I watch them talk about Gazprom and Rosneft, for example, I see myself: someone who is sincerely interested in the course of events but doesn't know an awful lot or have any influence.

Or that certain other deputy minister who, judging by his grave tone, takes the titanic battle between these two state-owned companies very much to heart. If he were putting that passion to use by cheering on his favorite soccer team, he'd stand just as much chance of selling his proposals — even if those proposals had carried the seal of government decrees.

*Konstantin Sonin, a professor at the New Economic School/CEFIR, wrote this column for Vedomosti.*