

Tuesday, December 14, 2004. Issue 3068. Page 12.

Yugansk Is Dead Meat

By Konstantin Sonin

Dead meat." I wrote a column with that title about the auction of Yuganskneftegaz way back in August. The title referred to a scene in Umberto Eco's novel "The Name of the Rose" in which the hero, a 15-year-old boy, desperately wants to save his beloved from the Inquisition. She, naturally, had nothing to do with the crimes for which she was arrested and carted away. The boy's teacher cools his ardor by uttering the words "dead meat," meaning that when someone falls into the hands of the inquisitors, he's done for. In a similar way, I was perplexed by all the talk last summer among journalists and analysts about the future of Yugansk, one of Russia's choicest oil assets. The writing was on the wall. What was there to talk about?

Times change, however, and it now seems that we should be writing about Yugansk more often. Next Sunday's auction of Yukos' core production unit will be a new beginning, not a terrible end. When Mikhail Khodorkovsky gets out of jail in 20 years or so -- he will get out someday, won't he? -- he will demand the return of his assets. You might think his demands would fall on deaf ears, but he will find plenty of people willing to listen. And not out of some abstract sense of fairness, but because even 20 years down the road there will be plenty of people convinced that they got a raw deal back in 2004. Judges, legislators, journalists and deputy heads of the presidential administration will rally around the former owner of Yukos.

If the fines for the possession of illegal property are calculated as creatively as they have been in the Yukos affair -- and laws could change just as easily in the future as they do now -- Gazprom itself could be up for grabs. And if that happens, anyone who's still around would be crazy not to get on board with Khodorkovsky.

The arrest of Yukos' top executives last year may have disrupted the fragile balance in society, but the upcoming Yugansk auction will lay a firm foundation for an endless series of property disputes and redistribution.

The market understands perfectly well that Gazprom is not just the only real player in this auction, but that it is also the only possible buyer. If the world's top oil companies, which have been dealing with retrograde regimes from Baghdad to Tripoli for decades, are not making a play for the choicest Russian assets, this means that they view these assets as tainted.

For Gazprom, the lack of serious competition can only be a good thing, since it will keep the sale price down. And if the assets have to be returned someday, the company's current executives won't be the ones to suffer. If anyone decides to challenge the sale in a foreign court, we -- i.e., the president, Russia, Gazprom -- will simply reply that since we acquiesced in the election of Viktor Yushchenko, we're not going to entertain any further claims this year.

If we're going to talk about the endless redistribution of property we could bring up a number of other events from the past week, such as the \$158 million tax claim against No. 2 mobile phone operator VimpelCom. (I still don't quite understand how Gazprom will fare in the mobile phone business, but I'm sure they'll figure something out.) Owners of major businesses have a right to a private life, of course. If they don't want the whole world to know the details of how they're being stripped of their assets and thrown in jail, so be it. We can always write about something else. About the future of Yugansk, for example.

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