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- Political Development Trends in the Context of International Antiterrorist Campaign
- Geopolitical Landmarks

CHECHNIA: PROBLEMS OF SOCIOECONOMIC REVIVAL AND DEVELOPMENT PROSPECTS

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In the early 1990s, Chechnia had a most powerful production, technological and socioeconomic potential. It had a unique educational, scientific and technical conglomerate for the production, processing and use of oil and gas, which was of great importance for world science and practice. In 1991, oil production in the republic was around 5m tonnes (in 1972, the figure was 21.6m, and in 2002, 1.5m tonnes), refining was close to 19m tonnes, and employment in the oil sector (including in related areas of activity) was around 200,000 people, dropping to less than 3,000 in 2002. In addition, the republic had more than 20 enterprises operating in other industries and a powerful agroindustrial complex. There was an effective system for training highly skilled workers, engineers and technicians built up in the preceding decades, an intensively developing social sphere, science, education, health care, culture, etc.

But in the early 1990s the situation in Chechnia, just as in virtually all other regions of the former U.S.S.R., was already affected by the early results of the reforms launched by Mikhail Gorbachev in the mid-1980s and known as perestroika. Whereas its political prerequisites were connected with the necessity of changing the sociopolitical system of the Soviet Union, its socioeconomic prerequisites were conditioned by the imperative need to go over from the administrative-command system of economic governance to market mechanisms.

These processes engendered a number of negative phenomena: a deep economic crisis; a crisis of the outgoing administrative system and formation of a new economic mechanism; a political crisis, largely caused by the disintegration of the Communist Party of the U.S.S.R. and transfer of power to the So-

viets (far from voluntarily); and an ideological crisis connected with the difficulties of shedding old dogmas, with the inertia of society's political consciousness, and with the collapse of faith in the social justice of the Soviet state.

In that period, the Chechen Republic (just as the whole country) was a scene for the emergence of a host of opposing political parties and movements. Democracy at that time was not only young but, so to speak, ill-mannered. Respectable people—party leaders, government officials and public figures—sometimes behaved like teenagers, unabashedly slinging mud at each other in the mass media and demonstrating such “endearing” features of the awkward age as lack of a constructive approach, incompetence, arrogance, irresponsibility and envy. Unfortunately, some of these features are still in evidence today, especially in the sphere of intellectual activity.

The situation in the sociopolitical sphere had an adverse effect on the economy, manifested in a sharp drop in the production of goods and services in all industries, a rupture of traditional economic ties between the republic's enterprises and other regions of the former U.S.S.R., and a massive outflow of material and human resources from Chechnia. Entire factory buildings, shops and sections were in fact devastated, and some plants ground to a halt altogether. That was coupled with wide-spread abuses and irregularities, especially in the oil complex, with the result that the republic's economy became hostage to politics, crime and impunity.

As the crisis phenomena in politics and the economy deepened, Russian-Chechen relations took a sharper turn, spurring the slide into a war, which was officially started in December 1994 (although armed clashes between Russia and Chechnia were recorded earlier). Many years later, President Vladimir Putin said at a press conference: “It is the fault of the Federal Center that the Chechen people were left to the mercy of fate... The state proved incapable of protecting the interests of the Chechen people” (see *Rossiyskaia gazeta*, 25 June, 2002). During his visit to Bulgaria in early March 2003, the Russian president emphasized: “War is a last resort. During a war, people die, the population suffers” (1 March, 2003, TV). Such a characteristic (albeit belated) of Russian-Chechen relations and military action in the republic corresponds to reality. Had an awareness of such characteristics preceded the search for militants “in the outhouse” or the showing of a combination of three fingers into the TV camera so as to say that would-be negotiators could “whistle for it” (1999), thousands of human lives could have been saved on either side, as well as immense material and spiritual values.

Whereas before the war the depth of the economic crisis was measured by the decline in production, the drop in living standards and the rise in unemployment and crime, during the war all production and social spheres not only ceased to operate altogether, but were also looted and destroyed. In essence, the war of 1994-1996 was a brutally punitive, barbaric and predatory war.

In the first half of 1995, men in uniform and looters in civilian clothes plundered abandoned homes, stealing property by the truckload (many people had fled their homes to escape the fighting), and pillaged canneries, meat packing plants and other institutions, department stores and warehouses. Hundreds of trucks loaded with loot headed west from the north of the republic. In Grozny, the military had even organized special stations for collecting and dispatching the property of the population.

Of course, at the beginning of the second stage of the war (September 1999) there was no such abundance of property, either private or public. That is why looters switched to other material values, pillaging equipment from enterprises, nonferrous metals (including aluminum wire), etc. Graphic examples here are provided by devastated oil refineries, chemical works and the Krasny Molot plant. Incidentally, up until recently even those whose professional duty is to fight crime were themselves involved in that kind of plunder.

Economic development indicators in the republic now come to about 7-10% of the figures for 1990. There is some production of oil and gas and marginal activity in the forest sector, in the use of thermal and mineral waters and in wine growing. Such plants as Transmash, Orgtekhnik and the Gudermes Medical Instruments Plant have to some extent remained intact, whereas other plants lie in ruins. True, an effort has recently been made to restore facilities in education, health care, culture, etc.

At every stage in the development of human society, the main factor of the postwar period is rehabilitation of the economy, which provides a material basis for stabilization and recovery in other spheres,

helping to create new jobs and reduce crime. This process should not amount to the adoption of stopgap measures, but should proceed on a new technical and technological basis.

It goes without saying that the oil complex has a special role to play in regenerating the republic's economy. However, there can be no question of restoring this complex on its former scale, and the target for production and refining should be around 1.5-2m tonnes of oil. This requires the construction of new refineries with an annual capacity of around 2m tonnes of oil, which should be fitted out with the latest equipment. The main criterion here should be a shift toward downstream processing of oil in order to extract all its useful components in the form of intermediate and final products. This is primarily connected with the fact that over the past decade most of the oil produced in Chechnia was legally (and to an even greater extent illegally) shipped out of the republic. Unfortunately, this process continues to date, which not only causes great damage to the economy at the present stage, but will also affect its future development.

According to the RF Ministry of Economic Development and Trade, in 2002 the republic produced roughly 1.5m tonnes of oil (see the newspaper *Severny Kavkaz*, No. 7, February 2003). A part of this oil was exported (export earnings exceeded \$230 million). In 2003, exports came to around 1.7m tonnes. Given that the cost of oil production was 987 rubles per ton and the sale price (for the republic) was 1,501 rubles, Chechnia received (net of production costs) 514 rubles per ton. At that time, the world price of oil was close to \$200 per ton (a very significant difference). The company Rosneft is carrying on production in the republic from 50 flowing wells, whereas over 600 wells (pumpers) are out of service and nothing is being done to bring them back on stream. In addition, a considerable amount of oil is produced illegally, with a part of that oil just as illegally shipped to neighboring regions and another part refined in the republic with the use of home-grown methods. Thousands of people are involved in this illegal business. In effect, the whole republic is covered with primitive filling stations.

A point to note in this context is that the current revival of the oil complex and other sectors of the economy cannot be compared with the revival of 1995-1996. At that time, the process was rapid and large-scale, considering that the RF authorities allocated the necessary financial resources. Today, by contrast, they have taken a passive stand. One is naturally tempted to ask why the Federal Center exhibits such activity when other regions of the country get into trouble or, in similar situations, comes to the aid of foreign states. Thus, in 1999 Russia allocated \$150 million to Yugoslavia for the rehabilitation of three oil refineries destroyed by NATO air strikes, while the fate of three oil refineries in Grozny, wrecked and looted, appears to be of little interest to Moscow.

In order to restore the oil complex and other sectors of the economy, it is necessary to develop a special program that would not only contain a list of priorities, but would also specify the sequence of solution of other problems. As regards sources of funding, these should include:

- First, investments by the Federal Center taking into account the amount of inflicted damage, variously assessed at \$250-300 billion.
- Second, former Union republics, which are now independent states, should be drawn into this process. After all, for more than 70 years Chechnia supplied them with oil products in huge quantities (it would make sense to hold a special CIS forum on this issue).
- Third, investments by Far Abroad states could be another major source of funds. A big role in this respect could be played by economic forums, say, in Rostov or Moscow (similar to the London forum on Bosnia or the Tokyo forum on Afghanistan).
- Fourth, a significant contribution could be made by some regions of Russia, which could take charge of the rehabilitation of various facilities in such areas as education, health care, communications, etc.
- Fifth, if industrial enterprises in the republic, primarily the oil complex, were brought back into operation, this would generate internal sources of finance.

However, as noted above, concrete strategic tasks have not been formulated for any of these facilities, which slows down the economic recovery and leads to colossal abuses.

In order to achieve these far-reaching goals, it would make sense to establish a mobile agency for the transition period, vesting it with authority to exercise control over the designated-purpose and rational use of all material and financial resources allocated for the rehabilitation of the republic's economy.

All these measures should be aimed to rid the Chechen people of the long-standing oppression and troubles and enable them to take the road of building a peaceful life.
