Conflict Studies Research Centre

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May 2002

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In recent years the rise of an *oligarch class* has significantly affected some post-communist transition processes in central and east Europe (CEE), as business and political interests converge in the hands of a small powerful group taking advantage of the opportunities created by the transition process. The most notable example of the phenomenon was in post-Soviet Russia, where a group of tycoons bankrolled and engineered the 1996 re-election campaign of President Boris Yeltsin. These same figures were rewarded with powerful government posts and other shadier offerings – creating a vicious cycle of corruption, as political influence results in economic power and *vice versa*.

However, the distribution of the phenomenon is neither universal nor even throughout CEE. Some countries, like Estonia, demonstrated a relatively strong division between the spheres of politics and business considering the great number of opportunities to exploit the transition process from both vantage points. This work will examine the differing levels of the manifestation of the oligarchy phenomenon in the Baltic countries of Estonia, Latvia and Lithuania.

Privatisation & Corruption - Roots of the Phenomenon

In looking at oligarchs, it is perhaps more appropriate to focus on the concept of influence rather than power, as many define power with a negative connotation. The rewards on offer in transitional CEE were clearly significant, especially during the process of mass privatisation of valuable state assets.

Following the collapse of the command economy, CEE countries embarked upon – at differing pace and extent – privatisation programmes to create the basis of a market economy. In many countries in the region, instead of creating an instant middle-class with this reverse re-distribution of wealth, a new class of the ultra-wealthy emerged as the "winners" of the privatisation process. The process of privatisation offered unprecedented opportunities for opportunists in advantageous positions, such as factory directors and entrenched *nomenklatura*. A quick scan around the region shows a large number of former ranking political leaders among the "winners," lending credence to accusations of bogus privatisations, self-privatisations, pay-offs and other manifestations of corruption. Martin McCauley offered the explanatory query, "how do you privatize in a country with no money, a country with a collapsing economy?".[1] The simple answer McCauley presented was: "you just hand it over" – the rewards for the oligarchs' influence.

This blurring of the line of demarcation between business and government creates ample opportunity for corruption, defined as "the abuse of public office for private gain",[2] to flourish. Though this murky overlap is not by any means a phenomenon confined to CEE,[3] the process of mass privatisation, augmented by this corruption-

Wannabe Oligarchs: Tycoons & Influence in the Baltic States
Conflict Studies Research Centre
ISBN 1-903584-83-3
May 2002

fostering environment, helped create the phenomenon. The simple perception of corruption is as damaging as the phenomenon itself, creating an atmosphere of mistrust.[4] It is not surprising that Russia's ratings in the Corruption Perception Index compiled by Transparency International[5] is among the worst in the world as the power of oligarchs is interwoven with corruption in general.

It is also important to point out that the presence of extremely wealthy individuals in politics do not automatically imply they are oligarchs; other motivations for tycoons to enter politics range from a sense of public service to attempts at bolstering their egos.[6] Therefore not all wealthy politicians in CEE should be automatically accused of improperly mixing the two realms for their own benefit; each case – either in the developed West or transitioning East – should be examined individually.[7]

Oligarchy in the Baltics - Just Wannabes?

The Baltic states of Estonia, Latvia and Lithuania faced similar issues during the transition process from the imposed planned economy to a free-market system, including the need to privatise state and municipal property. How much has the oligarch phenomenon affected these three countries, seen as the most successful reformers from the former Soviet Union? Have the same factory directors and entrenched *nomenklatura* taken advantage of the situation and abused their position for personal gain? More importantly, have the wealthiest of Baltic tycoons taken advantage of their position to exploit the political sphere for their personal gain?

For the most part, the phenomenon did not manifest itself to the same extent as in many other CEE countries, certainly nowhere near the levels of their former master, Russia. Martin McCauley explained the successful transitions in the Baltics as due to a lack of "roving bandits" with the objective for acquiring wealth by plundering the state.[8] McCauley also noted that the Baltic states do not possess hydrocarbons, the root of wealth for so many of Russia's oligarchs.

Not surprisingly the comparative level of manifestation of the oligarch phenomenon is correlated by the perception of corruption. In the Transparency International report, Estonia is seen as the least corrupt among former Soviet states, as well as other CEE countries, in 28th place; on the other hand Latvia languishes nearly at the bottom of the table at 59th place, sitting among various South American countries.

Estonia - Weak Tycoons

Among the three Baltic countries Estonia has the lowest manifestation of the oligarch phenomenon; not surprisingly the corruption perception level in Estonia is the lowest among CEE countries, actually closer to Japan and EU countries than other CEE states. Though Estonia shared the same oppressive conditions over the decades of Soviet occupation as its Baltic neighbours, its post-Soviet development has followed a cleaner path – much of it due to the impact of working with its Nordic neighbours Finland and Sweden, especially its accounting and management standards.

There are two clear reasons for this. Firstly, the privatisation of large industries often went to foreign – mostly Nordic – entities; the wholesale import of western management and accounting methods helped the larger businesses to adopt western standards quickly, without enduring some of the most shocking forms of corruption seen in many other regional countries going through transition. Secondly, the existing industries, faltering under the transition and the loss of their fixed eastern market, were soon supplanted by new industries, such as IT, services, banking and oil transhipment, which were mostly created from scratch during the early 1990s. Most of the wealthiest Estonian tycoons are connected to these areas.

Many of the tycoons remained on the sideline of politics, save for the larger amounts of party donations. A quick scan of large company contributions paints a varied picture from 1999-2001:[9]

- Computer giant *Microlink*: EEK 100,000[10] (Pro Patria Union);
- Nordic-controlled brewery *Saku Õlletehas*: EEK 50,000 (Pro Patria); 50,000 (Moderates);
- Finnish-owned meat processor *Rakvere Lihakombinaat*: EEK 50,000 (Pro Patria);
- Chemical group *Viru Keemia*: EEK 200,000 (Pro Patria);
- Security company *ESS* and its various affiliates: EEK 450,000 (Pro Patria); 150,000 (Reform); 450,000 (Centre); 47,200 (People's Union);
- Shipyard *Balti Laevaremondi Tehas*: EEK 47,200 (People's Union).

Very few of the oil tycoons have bothered directly with politics, as it has little effect on enriching their business. During the years 1999-2001, oil was responsible for some of the larger (but still modest) donations to parties: for example, oil tycoon Aadu Luukas donated EEK 100,000 each to the conservative Pro Patria Union and the ultra-liberal Reform Party, while oil transhipment group *N-Terminal* gave EEK 200,000 to Pro Patria Union, EEK 150,000 to Reform, and EEK 100,000 to the Moderates – all part of the then-ruling centre-right coalition.[11] Most of Estonia's main political parties are generally pro-business; even left-leaning parties have held onto the foundations established during the "shock therapy" period: flat income tax, tight fiscal and monetary policies, and liberal trade policies. The main issue of lobby for many tycoons – especially those in oil transhipment – is for the improvement of ties with Russia to ensure a smooth flowing of oil from the hydrocarbon export driven Russian economy.

Estonia's banking tycoons came mostly from *Hansapank* – which grew from scratch just over a decade ago and was purchased by Sweden's *FöreningSparbanken* (known also as "Swedbank") in 1998. Many of the bank's founders became extremely wealthy, though many of them stayed outside of politics. One of the primaries of the bank, Jüri Mõis, after leaving the bank, did embark on politics and spent a controversial two-year period as interior minister and mayor of Tallinn, the latter post unravelling due to his reputed friendship with underworld power broker Meelis Lao. One key difference between this set of tycoons and Russian oligarchs is the disconnection between business and political interests; for instance, Mõis embarked on politics after his disengagement with *Hansapank* and pursued the field more on ego grounds than anything else.

The key issue in looking at Estonian tycoons and the few involved in politics is their relatively low influence in policies. The ultra-liberal Reform Party naturally became a focus for their support, but the party's ideology was already crafted to support businesses – thus not requiring any underhanded efforts. Many of the oil tycoons quietly fund the laissez faire Reform Party. Very few of the richest tycoons have moved into large political or state-related posts. Some serve as representatives on management boards of state-owned companies (such as the power utility *Eesti Energia*), and often they attempt to sway voting to serve their own purpose; however, for the most part the government has bucked their attempts and the politicians clearly hold an upper hand in these matters.

There were, of course, a few dodgy management deals and shaky privatisation processes that created the wealth of a few figures. Former Tallinn mayor and Interior Minister Robert Lepikson managed to make his vast fortune in metal trading while running *Avantek* and was accused of illegal activities and embezzlement; prosecutors did not pursue the matter, citing lack of evidence, despite opposition protest.[12] The wealthy Lepikson then spent many years as one of the more controversial politicians in the country, though showing little consistency in his influence.

One of the most interesting of all Estonian cases revolves around former Prime Minister Tiit Vähi and how he came to control the *Silmet* rare earth metal processing plant – one of the few such units in the world. In an interview about the mixing of politics and business, Vähi noted that politicians should not be able to be "simultaneously involved in politics and … managing their own business," adding that there are such restrictions in Estonia[13] (Baltic Course 2000). Vähi asserted that the only advantage he had in being twice the former head-of-government was his array of contacts domestically and abroad, with his business boom happening after leaving public office. Since taking over *Silmet*, Vähi has only been able to lobby on the issue of preferential trade opportunities for the formerly closed Soviet factory town of Sillamäe; however, the promotion of business in the most backward of Estonian towns is very much in the interest of the state, making the Vähi lobby easy to accept. Interestingly, both Lepikson and Vähi came from the Coalition Party, known as the "party of power" for several years before their trouncing at the 1999 general elections; the party was also home to several other wealthy politicians over the years before being officially wound up in 2001. In 1999-2001, though, Vähi donated EEK 264,000 to his former party, while his company gave a smaller EEK 60,000.[14]

But the inability of the richest tycoons and other figures connecting wealth and political power to sway the key privatisation processes indicates their relative weakness – especially in comparison with established Nordic capital. When a group of several dozens of Estonia's most prominent businessmen (including Vähi and Lepikson) formed a consortium to take part in the privatisation of Estonia's railways, the state made all efforts to keep them from winning the bid – despite many of them being large donors to the parties in government. The consortium, who argued that large privatisation processes discriminated against local bidders, came in last in the bidding process; ironically an American-heavy bid turned out to be invalid, despite winning the original bidding process.[15] Some of the wealthier tycoons – including those leading the Chamber of Commerce and other business-promotion bodies – also failed to derail the planned partial privatisation of the generation arm of the country's power sector;[16] the main opponents of the deal, Jüri Käo and companies he controls, were responsible in 1999-2001 for at least a quarter of a million *kroons* worth of donations to the party of then Prime Minister Mart Laar, the Pro Patria Union.[17]

Clearly the impact of the wealthiest Estonians is more on a par with western countries than former communist states. Though many of the wealthy engage in politics at various levels, there are few examples of "robber baron" culture or a true manifestation of the oligarch phenomenon. The influence of the group is significantly lower than in other Baltic and CEE countries, at times lower than their foreign (Nordic) counterparts despite their role in political funding. Some of these individuals choose to live high-profile lives – such as Lepikson and his rally racing and Mõis and his dabbling with underworld figures – to flavour their political and economic power, but they fail to reach the level of notoriety – or influence – of their Russian counterparts.

Lithuania - One Hand on the Cookie?

Lithuania gained a reputation as the laggard among the Baltic countries in economic reform and development due largely to a slower reform process during the early years following the restoration of independence. The return to power in 1993 of the former communists, renamed the Lithuanian Democratic Labour Party (LDDP), ensured a more cautious move towards a liberal economy – unlike the situation in Estonia and Latvia, for the most part. Privatisation also moved at a slower pace, though many of the industries shifted into the hands of their managers. Former state comptroller Kazimieras Uoka said in 1993 that "the managers of economic government structures and the operators of the shadow economy have accumulated such enormous funds and acquired such influence in the past two and a half years of business dealings that I can no longer assert myself or cope with them".[18] Corruption grew in many circles, with the ample opportunities offered by the ever-increasing bureaucracy; the Transparency International report for 2001 put Lithuania in 38th place, tied with South Africa.

Though managers of various factories managed to take control of many of the country's industries, many also became decrepit due to the loss of their eastern market and an inability to reform to sell to the west. However, one of the survivors and most notorious wannabe oligarchs created during the early transition period is former Prime Minister Bronislovas Lubys, the head of the Confederation of Lithuanian Industrialists. The former factory director of the *Azotas* chemical plant, later renamed *Achema*, acquired control over the large plant in 1992-93.[19] In the following years Lubys managed to extend a hand into various other privatisation and business ventures, making him reputedly one of the richest and most influential Lithuanian businessmen.

Lubys and his Confederation of Lithuanian Industrialists attempted to play a significant role in state policies – especially that of privatisation – by increasing the role of the organisation from a powerful lobby to one with direct control over policy. In the run-up to the 1996 general elections, the likely winners, the Homeland Union-Lithuanian Conservatives, signed a co-operation agreement with Lubys and the Confederation. Despite widespread prediction of a significant victory, the Conservatives nevertheless wanted to seal the victory by siding with this powerful lobby. When the Conservatives indeed won a strong victory and began putting together the new government, Lubys placed several of his people into significant policy positions – most notably the minister of economic affairs.

The three-year tenure of Vincas Babilius as economics minister played a significant role in damaging the reputation of the Conservative government. The privatisation programme, under the control of the Economics Ministry (thus the Confederation), faced severe criticism from the president and political opponents; the media accused Babilius of selling Lithuania's oil industry at bargain prices and receiving kickbacks for the sale.[20] Via the Economics Ministry, Lubys attempted to gain influence over various privatisation and infrastructure projects, ranging from banking privatisation to the "PowerBridge" project to link the power grids of Lithuania and Poland, to the extent that a commentary in the leading daily *Lietuvos Rytas* suggested a "dangerous financial and political force has appeared in Lithuania" that wields not just economic power but also "real state power" – adding that the "two powers" of "impotent legal power and real power which stands in shadow" is dangerous for the state and democracy.[21] The unpopularity and accusations against Baibilius played a major role in the spring 1999 collapse of the government of Gediminas Vagnorius, especially in raising alarm and anger in the president's office.

For the 2000 elections Lubys and the Confederation chose not to support one single political movement; rather, the money flowed around to all political persuasions. In fact, about ten per cent of all funds donated during the election period came from companies Lubys personally controlled – *Achema* and the Klaipeda Shipping Company – totalling LTL 315,000.[22] The flow of money even went to radical and anti-Semitic parties, such as LTL 10,000 for the xenophobic Freedom Union.[23]

The hand of Lubys returned prominently during the run-up to the privatising of gas utility *Lietuvos Dujos* in 2000. As the centrist Liberal-Social Liberal coalition quickly crumbled during the summer, Lubys chartered a plane to bring left-wing opposition leader and ex-President Algirdas Brazauskas to Moscow to discuss the privatisation with Russia's gas giant, *Gazprom*.[24] Lubys, whose Achema is one of the larger consumers of natural gas in Lithuania, already voiced interest in working with eastern partners towards shares in the gas utility. The shady visit came to full prominence when the ruling coalition collapsed and Brazauskas rose to become the prime ministerial candidate. Brazauskas had also tried to intercede with the previous government to prevent a deal between the country's oil industry and number two Russian oil company *Yukos* due to his favour for *Yukos* competitor *LUKOil* – which was indirectly a major donor to the coffers of Brazauskas' party.[25] When Brazauskas became prime minister in the summer of 2000, he appointed another close associate of Lubys and a member of the Confederation of Lithuanian Industrialists, Petras Česna, as minister of economic affairs. This is key, as the Economics Ministry controls the privatisation process, including the item of interest to Lubys – *Lietuvos Dujos*. With the forthcoming partial privatisation of power utility *Lietuvos Energija*, the position of Česna gives Lubys a strong position in influencing the process.

However, by examining the position of Lubys, it is difficult to compare his role to that of the Russian oligarchs. He agreed that his role as prime minister was helpful in helping him understand macroeconomic processes and marketing, but suggested that it was also damaging due to the perpetual accusations of improprieties by taking advantage of his former job.[26] Oddly, in the same interview Lubys insisted that business figures should participate in politics only with transparency in their business – despite the murkiness of his own operations – adding that it is a positive trend for the wealthy to enter politics. Lubys has failed to take full advantage of his influence in the Economics Ministry to gain control over various privatisations and projects, such as the power link to Poland. Despite the Brazauskas trip to Moscow the privatisation conditions for *Lietuvos Dujos* that finally resulted make it impossible for *Gazprom* to take over the company.[27] Indeed Lubys holds significant influence in the privatisation process, but that has yielded few substantial results due to external pressure – especially from President Valdas Adamkus.

Lubys seems to have a hand on the cookie, but has less control over the process than his counterparts in Russia. There are few others with the same level of influence and profile as Lubys in Lithuania, especially compared to the lobbying prowess of the Confederation of Lithuanian Industrialists. Despite the flirtations into government posts, especially that of the Economics Ministry, the influence of Lubys remained limited partly due to the greater resolve of the public and other public officers – one keeping him from rising to a level of oligarchy like those in Russia with full control of the cookie jar.

Latvia - Oil and Food Don't Mix

Looking at the Corruption Perception Report, Latvia's ranking is among the poorest of CEE countries, almost as bad as Moldova and Romania – far worse than its Baltic neighbours. Allegations of high-level corruption plagued the government for years; in 1997 a handful of cabinet ministers faced such accusations, many lost their jobs over their undeclared interests in business.[28] The fractured political environment – especially in the centre-right – divided more on personality and lobby grounds than ideology lent an air of instability to government since the restoration of independence over a decade ago. The differences in the various parties' patronage lobby materialise most strongly in issues dealing with oil and privatisation, and have caused most of the cabinet falls over the decade.

With an economy highly dependent on Russian oil transhipment, the influence of the oil lobby – real and imagined – over politics is considerable. The ever-touchy relationship with Russia stands as a major issue for the oil lobby, as their welfare depends directly on Russian supply. Though a cut in Russian oil supply through Latvia is impossible from the Russian economic point of view, the lobby nevertheless exert some pressure to improve bilateral relations to ensure the flow of oil. In return, the oil lobby has generously supported its favourite political parties with generous funds.

The party Latvia's Way has been the major player since the first post-restoration elections in 1993, serving in every cabinet and leading four of them. The party, though formed from a wide array of individuals and supporting a liberal pro-business environment, became mired in rumours.[29] At one point in 1999, the party was even rumoured to have been exploring a "Finlandisation" option to retain the favourable oil transhipment trade.[30] There were also widespread rumours of shady figures allied with Latvia's Way trying to bribe parliament members to change their vote in the 1999 presidential elections, with figures as high as LVL 75,000[31] according to one Social Democrat politician.[32]

The power and influence of the oil transhipment sector is personified in the controversial figure of Aivars Lembergs, mayor of the oil-rich port city of Ventspils. Lembergs invokes great controversy among the public, despite his important role in the economic welfare of the country. His various roles, as mayor of Ventspils, as the state's representative in the oil company *Ventspils Nafta* and others, muddies his public profile – which is exacerbated by the persistent rumours of shadier business and political influence. A book delving into the murkiness of Ventspils business by a respected journalist, with excerpts heavily criticising port operations printed in a major national daily, was pulled at the last second, only to be released as a glowing review of the port's operations.[33] Lembergs took part in meetings – sometimes at the highest levels of government – in Riga with a special privilege, leading to accusations by disgraced former Economics Minister Ainārs Šlesers: "The truth must finally be told that the real government leader is Ventspils mayor Aivars Lembergs;" he added that the prime minister always ask for Lembergs's opinion in important matters during meetings.[34] The problems of the spring of 1999 erupted as Šlesers moved to remove Lembergs as state representative on the board of *Ventspils Nafta*, calling the mayor's post and board position a conflict of interest. Latvia's Way Prime Minister Vilis Krištopans rescinded the order and instead sacked Šlesers. Šlesers however had a minor revenge by confronting Lembergs on television with apparent proof of Lembergs profiting from privatisations in Ventspils via a Swiss-based company.[35]

There is a counterbalancing force to the main wannabe oligarch – former Prime Minister Andris Šķēle. This former florist and middle-level Agriculture Ministry official managed to gain a major foothold in the food processing industry during its privatisation in shady circumstances, eventually becoming one of the richest figures in the country. His entry into politics came in 1995 as a non-party figure trying to manage a rainbow coalition after inconclusive elections, and his Napoleonic management style alienated many of the parties over time. Rumours of his business interests continued though he distanced himself from the food processing sector while serving as prime minister. After leaving the post in 1997, Šķēle formed his own centre-right party, the People's Party, but returned to his business by acquiring the food processing holding company *Ave Lat* at a preferential price from his former partners in May 1999. How Šķēle managed to fund the outright purchase of many of Latvia's largest companies – such as the distillery *Latvijas Balzams*, *Laima* confectionery and many others – remains a mystery. His return to politics to become once again prime minister in the summer of 1999 caused controversy due to his expanded business interests, and he asked Justice Minister Valdis Birkavs to draft a law concerning the business interests of politicians; however, he quelled the accusations by placing his ownership stakes under the management of *PriceWaterhouseCoopers*. Šķēle emphasised that civil society and the media had developed further than legislation, since it was the previous two that pressured him to place his business interests under an independent reputable administrator.[36] Though his latest stint as prime minister did not last long (less than a year), Šķēle made the headlines in March 2000 by selling the large holding company for a reported USD 29 million.[37]

Naturally in a small country like Latvia, there is little room for two wannabe oligarchs, explaining the tension between the two figures, Lembergs and Šķēle. The disputes often brewed into party politics, as parties funded by oil (Latvia's Way most prominently) and the People's Party of Šķēle feuded over privatisation. The feud extended beyond heated rhetoric, as the disputes within the cabinet caused several government collapses due to problems rooted in this personality difference. Šķēle may have improperly denied loans to Ventspils over this animosity, while rumours persisted that the horrifying campaign accusing Šķēle and his allies of paedophilia may have been funded by Lembergs and the oil sector. The ownership of the media also adds to the flame, as the fiercely independent *Diena* faces off against papers printed in the *Preses Nams* – which was privatised to a Ventspils firm.[38] Both sides have been accused of crafting preferential conditions in various privatisation processes, though more often than not their antagonistic relationship cancelled any significant advantage by any one side. This stalemate has ironically kept Latvia from falling into an oligarchic trap.

Both Lembergs and Šķēle exhibit many oligarchic qualities in their immense influence and power in both politics and business. The two are among the richest men in the country. Latvian business paper *Dienas Bizness* estimates that both men made nearly a million dollars in 2000; while it is hard to guess at the net worth of Lembergs, Šķēle holds tens of millions of dollars through his sale of the food processing industry and other investments.[39] Both have made enormous sums of money in a less than transparent manner, attempting to influence the public through the media and political endeavours. However, as much power and influence as they wield in Latvia, their counterbalancing effect prevents the oligarchy phenomenon rising significantly. However, if their 2002 rumoured *rapprochement* is indeed true, the scenario could yet change in Latvia.

Why Not in the Baltics?

The question is why the same oligarchic phenomenon plaguing CEE countries, particularly Russia and Ukraine, is not manifested in the Baltic countries? Though Martin McCauley suggested the lack of hydrocarbons prevented their rise, the explanations are more complex. Several reasons can be taken into account.

First of all, the industrial situation in the Baltic States did not present the same opportunities as in other CEE countries. Many of the industries privatised had little value in the new transitional economy as it tried to integrate with the global economy. Many of the factories privatised on the cheap had few assets to plunder. Unlike in some CEE countries where failing industries were continually propped up, the Baltics endured a "shock therapy" approach to industrial restructuring. Many of the powerful new vital industries were built following the restoration of independence, and are in areas where a plunder culture would be difficult to carry out without detection, such as banking and IT.

Secondly, the integration with the global economy, especially the drive towards EU membership, forced more transparency into both the political and economic spheres. Internationally-recognised managerial and accounting practices were first imported along with western (mostly Nordic) investments, which have permeated the environment over the years. In this drive to integrate, the "robber barons" were not given the opportunity to fully develop into the class that plague the economic environment of other CEE countries.

Third, the countries are just too small for such an oligarchic culture to develop. The countries are each smaller than some Russian cities in population, and there plainly were just not the riches to plunder. There are much fewer of the "factory towns" found in Russia, where privatising the local factory meant creating a local fiefdom. The McCauley hydrocarbon explanation is partly applicable here, as oil shale and limestone are not among the world's most valuable commodities.

These three arguments help explain why the oligarch culture failed to seriously manifest itself in the Baltic countries of Estonia, Latvia and Lithuania. Their perceived level of corruption is relatively low, and they are often ranked among the best candidates for the European Union. Their integration into a wider economic system and activities in the world market assist in the continual maturing of the business environment, forcing transparency at every step. The twin goals of NATO and EU membership also require the state to be as transparent as possible, helping to curb the development of any oligarchic phenomenon.

True, there is a differing level of manifestation of this phenomenon in the three countries, ranging from the relatively weak political influence of Estonia's tycoons to the feuding wannabe oligarchs in Latvia. However, they possess neither the controlling power nor overwhelming influence of their counterparts in Russia during their heyday. Three ex prime ministers turned tycoons all agreed that there should be guidelines established to properly separate business and politics, and that transparency is paramount in both fields.[40] There is little of the "robber baron" mentality in these figures, even if they are branded as "oligarchs" in the media. Instead, the Baltic tycoons remain further down in the totem pole of influence, ranking as simply active lobbyists rather than oligarchs – or perhaps simply wannabe oligarchs.

ENDNOTES

1 Reynolds, Maura, "An 'Oligarch's' U-Turn Toward Probity", *Los Angeles Times*, 26 December 2001.

2 Hellman, Joel, Jones, Geraint & Kaufmann, Daniel, "Beyond the 'Grabbing Hand' of Government in Transition: Facing up to 'State Capture' by the Corporate Sector", Transition Newsletter, the International Bank for Reconstruction and Development (World Bank), March-April 2000, pp8-11.

3 The best example of this overlap is found in Italy, where Prime Minister Silvio Berlusconi is also the richest man in the country. Berlusconi exercises vast control over the media, especially television, in which he controls most of the Italian public airwaves – both from his business holdings and from his political position.

4 One good example can be seen in the actions of former US Ambassador to Lithuania Keith Smith. Smith worked diligently in brokering the controversial deal by US-based Williams International to purchase a minority stake in Lithuania's oil industry, *Mažeikių Nafta*, despite the significantly negative financial terms for Lithuania. After the deal's conclusion, Smith left the foreign service and went to work for Williams. Though he is obliged to remain distant from the Lithuanian operation, the entire process produces a negative image of American practices.

5 Transparency International, Corruption Perception Index 2001.

6 This manifestation is still clearly seen today in the US, especially with the political successes of Senator Jon Corzine (D-NJ) of Goldman Sachs fame, New York mayor Michael Bloomberg (R-NY) for his namesake financial news service and others, as well as the political notoriety of tycoons like H Ross Perot, twice a losing third-party candidate for the presidency.

7 The widespread shareholding of Enron stocks by Washington politicians indicates the impossibility to split the two realms, though the level of impropriety or corruption must only be examined on an individual case basis. Even the figurehead for clean politics in Washington, Senator John McCain (R-AZ) was damaged by his stock holdings in another collapsed large company, Global Crossing.

8 McCauley, Martin, "Bandits, Gangsters and the Mafia: Russia, the Baltic States and the CIS", Longman, Harlow, 2001, p375.

9 Lõhmus, Alo, "Valik annetajaid Eesti erakondadele 1999-2001" in the Arter section of *Postimees*, 6 September 2001.

10 The Estonian kroon (EEK) is pegged to the euro: EUR 1 = EEK 15.65.

11 Lõhmus, ibid.

12 East European Constitutional Review, New York University Law School: Vol 7 (1998), No 2/3.

13 Domburs, Janis, Deksnis, Vakaris & Paju, Taivo (compilation of), "From Prime Ministers to Millionaires" in Baltic Course, Riga, Spring 2000, No 1.

14 Lõhmus, ibid.

15 *Eesti Raudtee* (Estonian Railways) eventually went to a multi-national bid, with several other Estonian businessmen as co-ordinators. But the large group of over 30 wealthy local businessmen – including Heldur Meerits, the then-prime minister's economic advisor – had little chance to win the bid due precisely to their closeness to the political world.

16 The privatisation of *Narva Elektrijaamad* (Narva Power Plants) to US-based NRG Energy failed partly as a side-effect of nervousness in the banking sector following the 11

September terrorist attacks. Attempts by wealthy tycoons in various trade associations, as well as those sitting on the board of the company, to derail the deal did not succeed.

17 Lõhmus, ibid.

18 Vardys, V Stanley & Sedaitis, Judith B, "Lithuania: The Rebel Nation", Westview Press, Boulder, 1997, p204.

19 East European Constitutional Review, New York University Law School: Vol 10 (2001), Nos 2/3.

20 East European Constitutional Review, New York University Law School: Vol 8 (1999), No 3.

21 Podelco, Grant, "East: Transition Nations Press Review", Radio Free Europe/Radio Liberty, Prague, 3 March 1999.

22 The Lithuanian litas (LTL) is pegged to the US dollar: LTL 4 = USD 1.

23 Radio Free Europe/Radio Liberty, Newsline, 20 April 2000.

24 Girnius, Kestutis, "Lithuania: Analysis - Parliament Approves New Government", Radio Free Europe/Radio Liberty, Prague, 12 July 2001.

25 East European Constitutional Review, New York University Law School: Vol 10 (2001), No 1.

26 Domburs, et al.

27 The programme, approved during the Liberal-Social Liberals coalition, envisions large stakes to be sold to a supplier (in essence Gazprom) and a strategic investor (one of the main western gas giants, like *Ruhrgas* or *Gaz de France*); the Brazauskas government has held onto the plan due to pressure from President Adamkus and others.

28 The list of accused reads like a who's who of Latvian politics: Finance Minister Vassilijs Melniks, Economics Minister Guntars Krasts, Culture Minister Rihards Pīks, Health Minister Juris Vinķelis, Agriculture Minister Roberts Dilba, Transport Minister Vilis Krištopans, and even President Guntis Ulmanis. Pīks and Dilba resigned over the allegations, though many – such as Vinķelis and Krištopans – refused to resign and were sacked instead. This all led to the several collapses of cabinets led by Prime Minister Andris Šķēle (see EECR Volume 6 Nos 2-3 and No 4 for more).

29 East European Constitutional Review, New York University Law School: Vol 7 (1998), No 4.

30 Huang, Mel, "Is This Really Latvia's Way?" in Central Europe Review, 8 February 1999.

31 The Latvian lats (LVL) is pegged to the SDR currency basket, and is roughly at par with the Pound Sterling.

32 East European Constitutional Review, New York University Law School: Vol 8 (1999), No 4.

33 Rozitis, Ojars, 1998, World Press Freedom Review: Latvia, International Press Institute, Vienna.

34 Huang, Mel, "They're All Paid Off", Central Europe Review, 17 May 1999.

35 East European Constitutional Review, New York University Law School: Vol 8 (1999), No 3.

36 Domburs, et al.

37 Radio Free Europe/Radio Liberty, Newsline, 29 March 2000.

38 Rozitis, ibid.

39 Kangur, Paavo, "Läti läheb kiirremonti", Eesti Ekspress, 19 April 2001.

40 Domburs, et al.

The author is a Research Associate of the Scottish Centre for International Security (SCIS) and this paper was prepared for the 52nd Annual Political Studies Association Convention, Aberdeen, 5-7 April 2002.

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UK Ministry of Defence

ISBN 1-903584-83-3

Published By:

The Conflict Studies Research Centre

Royal Military Academy Sandhurst
Camberley
Surrey
GU15 4PQ
England

Telephone : (44) 1276 412346
Or 412375
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http://www.csrc.ac.uk

ISBN 1-903584-83-3