

The Ulukayev case: stepping up the battle within the Russian elite

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During the night of 15 November, the Investigative Committee of the Russian Federation issued a statement on the detention of Aleksei Ulukayev, the minister for economic development, and the initiation of an investigation into him in connection with his suspected acceptance of material benefits (US\$2 million). This sum was supposed to have been a 'thank you present' for the ministry's issue of a positive review which allowed the state oil company Rosneft, run by Igor Sechin, to take over 50.08% of shares in Bashneft (the transaction was finalised on 12 October). On 15 November, Ulukayev was placed under house arrest and dismissed by the President.

The material incriminating the minister was provided to the Investigative Committee by the Federal Security Service (FSB). According to the investigators' version, the minister had been under observation by the FSB for at least a year. The bribe presented to him on 14 November was monitored, allowing the suspect to be caught in the act, as the investigators have reported. The President's spokesman Dmitri Peskov confirmed that Vladimir Putin had been previously informed of the investigation.

Commentary

- The detention of a serving minister is an event without precedent in recent Russian history. The context is worthy of attention: by issuing a positive decision allowing Rosneft to purchase Bashneft, Ulukayev was loyally following the guidelines of the President. The circumstances under which the bribe was allegedly extorted are therefore unclear. The scandal has been widely reported in the Russian media as part of the anti-corruption campaign, which is intended to strengthen the Kremlin's image in the eyes of the public during the continuing economic recession.
- The Ulukayev case is at least a short-term success for Igor Sechin: the official narrative presents Rosneft as the injured party. It has also been announced that the purchase of Bashneft will not be subject to review. In this context, the accusations levelled at the minister weaken the government, primarily its economic pillar, which has itself been seeking to undermine Sechin's position by resisting his purchase of Bashneft. It is unclear how broad the investigation's remit will be: the scandal may hit Prime Minister Dmitri Medvedev, or the deputy prime ministers supervising the economic pillar of the government. However, it cannot be ruled out that the affair will adversely affect Sechin's

interests in the long term: the corrupt (according to the investigators) nature of the ministry's decision to allow the purchase of Bashneft could be exploited by that part of the elite which opposes Sechin as an excuse to challenge the legality of the transaction.

- The scandal involving the minister testifies to the growing rivalry within the governing elite in Russia, and has deepened the uncertainty about the future balance of power in the context of the upcoming presidential elections planned for 2018 (which could be brought forward). It confirms the dominant role of the FSB in controlling the political elite, as proved by further reports about the intensifying, sham struggle against corruption, which is being used as an instrument by various factions as they struggle for political and financial resources. At the same time, the fragile balance between the influential groups surrounding Putin is becoming disturbed; Sechin is strengthening his position at the expense of more liberal groups. Meanwhile the unpredictability of the decision-making process is growing, and fear and confusion are rising among part of the elite, which in turn reduces the efficiency of the government of the state.