



IRON TROIKAS: THE NEW THREAT FROM RUSSIA

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Introduction

In the aftermath of 9/11, American security analysts preoccupied with global terrorism have ignored Russia as a security threat, but this is a mistake for two reasons.

First, violence in the Caucasus, a demographic and health crisis, economic uncertainty, income inequality and a return to autocracy suggest a problematic future for Russia. Though deemed implausible, an imploded Russia would have massive security implications for the international community.

But second, there is an existential threat posed by Russia which Janusz Bugajski has described in his book, “Cold Peace: Russia’s New Imperialism.” It involves Moscow’s campaign to reassert its influence over the security policies of the countries in Central and Eastern Europe. The purpose of this paper is to identify the actors and circumstances – characterized as Iron Troikas – which the Kremlin is employing to achieve these goals. The focus will be upon four new democracies in the Baltic Sea Region: the Baltic countries and Poland.

Toward this end the paper will analyze:

1) The *siloviki*, the “men of power” who represent the first component of Iron Troikas. Like President Vladimir Putin, they hope to create a strong state that will project Moscow’s security interests in areas formerly dominated by the Soviet Union by exploiting Russia’s massive energy wealth.

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2) The economic warlords that have exploited the collapse of the USSR and the drive toward privatization comprise the second component. As Keith Smith of the Center for Strategic and International Studies has documented, Putin's re-nationalization of Russia's energy sector is designed to project Russian influence throughout the Baltic Sea Region; that is, through its "energy card" compel the Baltic peoples and Poles to adopt security policies favorable to Moscow.

3) Certain political and business groups in the Baltic States and Poland, which constitute the third component of Iron Troikas. They provide a network of "local" actors that aid and abet – primarily in pursuit of economic and political advantage and not subversive goals – Russian interests seeking to penetrate their societies.

It is against this backdrop that Western analysts must acknowledge that Iron Troikas represent a "new threat from Russia" – in the Baltic Sea Region but throughout the so-called "Near Abroad" as well. To date American and European political authorities have been reluctant to challenge Russia on Iron Troikas.

The Euro-Atlantic community must revisit Russia not as a peer military threat, but as an unstable area that could influence developments throughout Eurasia. The region represents a potential theater of strategic operations in the easternmost frontier of NATO and can provide access and bases that one day may be required out of political necessity or for operational reasons. Its importance may grow as developments in Belarus, Northwest Russia and Ukraine become more problematic.

Measures therefore must be taken by the Euro-Atlantic community to address this "other than war" threat.

The Siloviki

The Russian Academy of Sciences estimates that under Yeltsin 11 percent of the country's senior officials were former members of the military and secret service.

With the appearance of Putin, these "men of power" – popularly known as the *siloviki* – have proliferated in numbers and influence in the Russian

Federation. The Russian Academy of Science estimates that about one-fourth of the senior officials in the government today are *siloviki*. Defense Minister Sergei Ivanov also is a former KGB operative, as is the head of the Interior Ministry, Rashid Nurgaliyev. *Siloviki* hold prominent posts in the president's office; for example, two of Putin's deputy chiefs of staff, Viktor Ivanov and Igor Sechin, worked for the KGB in Leningrad.

The *siloviki* have played a prominent role in Putin's attempt to marginalize the regional governors and many of them now hold executive positions in one of the 89 governorships; i.e., former generals in the army and KGB. Furthermore, 5 of the 7 men who have been selected to serve as "super-governors" are *siloviki*. For example, Viktor Cherkesov, who was pursuing "anti-Soviet" dissidents as a KGB operative right up the USSR's implosion – and did much the same thing as the head of the KGB successor organization, FSB, in St. Petersburg – was named presidential envoy for northwest Russia. 70 percent of the individuals hired by the "super-governors" are *siloviki*.¹

Finally, *siloviki* control or hold important positions in all of Russia's natural gas, petroleum and pipeline companies, privately or publicly owned – Gazprom, Rosneft, Transneft etc. It has been estimated that 6,000 former members of the security services and other power ministries now are in place to exploit Russia's economic assets and to enable Moscow to project power beyond Russia's borders.²

The *siloviki*, who constitute the first element in an Iron Troika, are said to be free of ideological baggage, but like Putin they believe that Russia cannot be ruled without a strong state. In this sense they retain their Soviet sensibilities and, like the old leadership in the USSR, they think first about the state and only secondarily about the people as the world learned with the Kursk explosion, the Moscow theater tragedy and the Beslan school massacre. They realize that a strong state and a weak economy are mutually exclusive, and if something approaching a free market generates the wealth they need to restore the state and Russia's armed forces, they will accept it even though

¹ For a detailed and insightful discussion of the *siloviki* by two Washington Post reporters, see, Baker and Glasser, pp. 251-271. For a discussion of why the influence of the *siloviki* is exaggerated, see, Dmitri Trenin, "Reading Russia Right," Carnegie Endowment for International Peace, October 2005.

² "Checkists in the Corridors of Power," Novaya Gazeta, July 2003.

reluctantly. They still harbor imperial ambitions that Russia can restore the power that enabled the Soviet Union to be a major player in world affairs. To achieve this objective, they are prepared to make tactical moves that they find unsavory, such as feigning cooperation with the West, but they still cling to the conviction of their predecessors that the West is the enemy and indeed the U.S. as the leader of the Western alliance is bent upon emasculating Russia, of humiliating its people and leaders.

15 years after the Soviet Empire's demise, *siloviki* continue to deem the Baltic Sea Region as vital to Russia's security. During the Cold War, the Soviet Union deployed significant ground, naval, and air forces in the region with two missions in mind: as a defensive barrier against invasion from Europe, and as a strategic base to conduct an offensive campaign against NATO targets in the West. Bugajski claims that Russia under President Putin pursues six broad strategic goals in the region:

1. *Expanding foreign policy influences.* Capturing and exerting predominate if not exclusive influence over foreign policy orientations and security postures of the neighboring countries.
2. *Promoting economic monopolization.* Obtaining economic benefits and monopolistic positions through targeted foreign investments and strategic infrastructure.
3. *Consolidating political dependence.* Increasing East European dependence on Russian energy supplies and capital investments.
4. *Limiting Western enlargement.* Limiting the pace and scope of Western penetration in Russia and its "zone of interest" and constricting Western enlargement, especially with regard to the security arena in the CIS states.
5. *Rebuilding global influence.* Using the broader East European region as a springboard for rebuilding a larger sphere of predominant influence and great power status.
6. *Eliminating U.S. unipolarity.* Gradually but systematically undercutting and restricting the transatlantic relationship as well as Eastern Europe's direct ties to Washington.³

³ Janusz Bugajski, *Cold Peace*, Washington: Center for Strategic and International Studies, 2004, pp. 219-220.

In 1993, Russia's defense doctrine "classified Poland as a potential threat to its security and placed the country firmly within Russia's sphere of interest."⁴ After Poland entered NATO and the EU, relations between Warsaw and Moscow improved, but only for a short time. The Polish president, Alexander Kwasniewski, met with his Russian counterpart ten times during the first term of Putin's presidency. Poland became Russia's eight largest trading partner and three out of every four Poles favored close commercial relations with Moscow while a similar percentage of Russians favored good commercial exchanges with Warsaw.⁵

But by the end of Putin's first term in office, the Kremlin began to express grave concerns about Poland's foreign policy initiatives similar to those that Moscow had expressed in the previous decade. Namely, Warsaw's preoccupation with development in Ukraine was especially resented. "The Kremlin was perturbed that Warsaw was intent on pursuing close ties with Kyiv and depicted Poland as an aspiring regional power seeking to replace Russia. Warsaw was allegedly pursuing the formation of a belt of states between the Baltic and Black Sea and constructing a cordon sanitaire around Russia."⁶

After accepting an enlarged EU as a fact of life, Moscow hoped to countervail U.S. unilateralism. Differences in the Trans-Atlantic alliance over Iraq were a divisive force in the EU, but the Poles provided several thousand troops as a sign of solidarity with America. While the number of troops was not all that large, the political cover that Poland's support provided the administration of George W. Bush was significant.

The Polish government supported the "pro-American" presidential candidate in Ukraine, Victor Yushchenko, in his bid to defeat the "pro-Russian" candidate, Victor Yanukovich, after a disputed election in December 2004. In post-mortems of the Ukrainian Orange Revolution, pro-Kremlin commentators in Russia not only blamed President Alexander Kwasniewski for contributing to Yanukovich's defeat but claimed that a Polish-American,

⁴ Bugajski, p. 140.

⁵ Irina Kobrinskaya, "Love and Hate: Polish-Russian Relations Marred by Russian Unpredictability and EU and NATO Uncertainty," *Polish News Bulletin*, February 3, 2005.

⁶ Bugajski, p. 140.

Zbigniew Brzezinski, and his two sons were the brains behind the insidious campaign to defeat a pro-Russian candidate for the high post.

Polish-Russian relations became even more fractious as Moscow refused to denounce the Molotov-Ribbentrop Pact or the Katyn Forest massacre of Polish officers during World War II as President Kwasniewski demanded.

While the Baltic democracies have a much smaller population than Poland and have fewer resources to cause trouble for Moscow, the *siloviki* have displayed special enmity toward them ever since the collapse of the Soviet Union. The Baltic States played a pivotal role in precipitating the eventual demise of the Soviet Union. The 60th anniversary of Nazi-Germany's defeat in May 2005 unquestionably has contributed to negative sentiments that ordinary Russians voice toward the Balts. The fact that the Lithuanian president Valdas Adamkus and his Estonian counterpart, Arnold Ruutel, did not attend the Moscow celebration gave hard-liners in Russia additional reason to express outrage at the "uppity Balts." Recent polls show that when asked: "What Country Do You Consider Unfriendly to Russia?", Latvia scores first with 49 percent, Lithuania second with 42 percent and Estonia third with 32 percent.⁷

Russian security analysts see Estonia, Latvia and Lithuania's pro-American orientation as a barrier to their establishing a relationship with major EU countries in Moscow's effort to countervail U.S. power.

Lithuania is deemed especially troublesome since it stands as a key transit country for Russian travelers to Kaliningrad. Since its accession to the EU, Lithuania has renounced visa-free access for Russians to this enclave as part of its policy of integrating with the Schengen area. Furthermore, in late 2004, the Lithuanian president Valdas Adamkus joined his Polish counterpart in the campaign to peacefully resolve the political crisis in Kyiv in Yushchenko's favor. Vilnius was the site for the first NATO foreign ministers' meeting where Ukraine was offered an intensified dialogue with the Alliance. Lithuania also insisted on rebuilding historical justice in the light of the May 9 celebrations and promoted demilitarization of the Kaliningrad region as an important element of security building in the Baltic Sea region.

If Russian national security analysts had little faith in their ability to coerce Poland and Baltic States with Russian military might prior to their joining the

⁷ Angus Reid Global Scan, June 5, 2005.

transatlantic alliance, this option was even more unlikely after all four have become members of the European Union and NATO. The Kremlin had to craft a new strategy to regain its hegemony over all of them; to tarnish their images and undermine their appeal to other CIS states; to use them as a springboard into the vast EU market and exploit their membership to shape EU and NATO policies toward Russia at large.

Kremlin planners realized at some point that they possessed an economic weapon of significant potential, one capable of promoting Russia's foreign policy objectives in the space of the former Soviet Union. The weapon was a massive supply of natural gas and petroleum along with strategic pipelines from east to west, refineries, pumping stations and other installations associated with Russia's energy wealth. As Keith Smith at the Center for Strategic and International Studies has observed, "Russia's proven reserves of natural gas... are the largest in the world and twice those of Iran which possesses the second-largest reserves... The energy industry accounts for about 20 percent of Russia's GDP, approximately 60 percent of its export revenues, and well over 40 percent of the government's fiscal revenues."⁸ Through its energy industry, Russia has vast resources that enable it to play the energy card not only on a regional but also on a global basis.

Moscow has increasingly used the pipeline system as a foreign policy weapon since Putin's election as president in 2000. In this regard, the Kremlin has even accepted certain economic sacrifices to promote its foreign policy agenda. Russia, for example, is building its own Baltic Pipeline System to carry oil to the port of Primorsk, though it could find cheaper outlets by using under-utilized oil transit systems-e.g. by employing routes through the three Baltic countries. Russia is also building an undersea gas pipeline to Germany at a cost "three to four times as much as running a parallel pipe along the Yamal route through Poland."⁹

To orchestrate an energy strategy that places Russia's foreign and security objectives first and economic goals second, Putin has relied upon the *siloviki* who remain wedded to their traditional way of operating. They see economic affairs primarily in security terms.

⁸ Keith Smith, *Russian Energy Politics In The Baltics, Poland, And Ukraine*, Washington: Center for International and Security Studies, December 2004, p. 9.

⁹ *Ibid.*, p. 17.

Economic Warlords and Energy Supply

With the collapse of the USSR vast sums of money controlled by the Communist Party of the Soviet Union (CPSU) disappeared.

Many commentators believe that prescient party members, anticipating the USSR's collapse, became virtual private "investors." It has been estimated that millions and perhaps billions of dollars from party coffers found their way to the West. They were invested in a host of legal and illegitimate enterprises by individuals uniquely qualified to invest funds outside of the USSR. Many were intelligence operatives in the KGB and military units like the GRU. They spoke foreign languages, lived in the West and had extensive contacts abroad that were developed during the Cold War. Consequently, after the Soviet Union's collapse, they were well positioned to work with their old associates in exploiting the first privatization drive that dominated the Russian economy during its stormy period in the 1990's.¹⁰

They also worked closely with the "red directors" who as managers of major enterprises had access to hard cash commodities like natural gas, oil, metals and wood products. In many instances, then, "ownership" remained in the same hands in the new economy as it did in the old one. The reformers calculated that by allowing the "red directors" to gain a stake in the new economy, they would not bloc efforts to facilitate the destruction of the command economy. That outcome had the additional benefit of undermining the power of the political reactionaries on the far left and right who opposed democracy and/or market reforms. At the same time, mesmerized by their new wealth, they would pay little attention to the pro-Western reformers' quest to establish close ties with the countries in the Trans-Atlantic alliance.

A second group of bright and enterprising people with high level contacts and entrepreneurial skills competed with the "red directors" for control of Russia's wealth. They came from various sectors of society and eagerly assisted President Boris Yeltsin in dismantling the command economy.

¹⁰ David E. Hoffman, *The Oligarchs: Wealth and Power in the New Russia*, New York: Public Affairs, 2001. See also, Martin McCauley, *Bandits, Gangsters, and the Mafia: Russia, the Baltic States and the CIS*, Harlow, England: Longman, 2001, and CSIS Task Force Report, *Russian Organized Crime and Corruption: Putin's Challenge*, Washington, D.C.: CSIS, 2001.

Enterprises such as Norilsk Nickel and Yukos oil company were auctioned-off for a pittance, allowing a small number of the most ruthless and most enterprising of Russia's Oligarchs to gain control of the country's vast resources in less than a decade.

The Oligarchs and Yeltsin "family" facilitated Vladimir Putin's rise to power. The mass media largely under control of the tycoons – e.g., Boris Berezovsky and Vladimir Gusinsky – helped elect him in 2000. Soon afterwards, however, Putin turned against those of his benefactors whom he considered a political threat to him and his entourage of *siloviki*.¹¹

One of the new team's first priorities was to destroy the capacity of the independent Oligarchs to wield the same kind of power that they did under Yeltsin. Indeed, it was their money, energy and enterprise that enabled Yeltsin to win re-election when polls indicated that the vast majority of Russians had lost faith in his stewardship in 1996.

Putin and his team hounded the Oligarchs and ultimately forced some to leave the country or face much worse outcomes; Berezovsky and Gusinsky were among the richest and most prominent who sought the safe harbor of exile.

In October 2003, the wealthiest oligarch, Khodorkovsky, celebrated by foreign investors as the most progressive of the bunch, was arrested for tax evasion and other "economic crimes." In 2005, he received a nine year jail sentence. On the basis of the evidence, there is no question that he should be in jail, but so should many Oligarchs who are now free because they have not challenged Putin. This is just one example of how Putin has selectively applied the law and in the process has undermined the legal system in Russia.¹²

Khodorkovsky had refused to abide by the Kremlin's direction that Russian energy entrepreneurs advance the government's security priorities first and only later think about profit margins. He not only purchased the largest oil refinery in the Baltics, Lithuania's Mazeikiu Nafta – thereby denying that prize to Lukoil, a Kremlin favorite; he also contemplated a partnership with China in the construction of an oil pipeline, and indicated that he sought

¹¹ Baker and Glasser, pp. 78-98.

¹² For Khodorkovsky's misdeeds see, *Ibid*, pp. 337-338.

a close commercial relationship with one of the major American oil companies. If successful, Khodorkovsky would have compromised Putin's drive to play the energy card on the global chessboard.¹³

It is against this backdrop that the Baltic States and Poland faced the new 'energy diplomacy' of Russia. For example, in 1999, the Lithuanian government denied Lukoil the opportunity to gain operational control of Mazeikiu Nafta, the largest energy enterprise in the country. It included the oil refinery at Mazeikiiai, a pipeline at Birzai and a port terminal at Butinge. The government snubbed offers from Lukoil and instead sold a controlling share to the American energy company, Williams International.

To sabotage the Williams deal, Lukoil persuaded Transneft and the Russian Ministry of Industry and Energy on several occasions to halt the flow of oil to Lithuania.

Moscow has played its energy card in Latvia as well. In 2002 "...the owners of the port of Ventspils rejected a purchase offer from Transneft and Lukoil to buy them out, an offer transmitted more as a nonnegotiable demand than a friendly takeover. Almost immediately, Transneft let it be known that no Russian crude would be carried by pipeline to Ventspils until a sale was negotiated that would give a working majority of the shares to a Russian company."¹⁴

The port, which until recently was Russia's second largest oil export terminal, provides a major source of revenue for the economy and government, and the Latvian owners refused to sell. Circumstances suggest, however, that they may eventually do so. Russian oil continues to be transported through the port via rail but the costs of such shipments are higher than by pipeline. Russian oil companies, now selling their product in this fashion, will connect to expanded pipelines, stop using Ventspils, and turn to the new Russian port of Primorsk northwest of St. Petersburg on the Barents Sea instead. As a consequence, the Latvians will be compelled to sell the port, and at deflated prices.

¹³ This is the opinion of Keith Smith who has continued his analysis of Putin's exploitation of Russia's "energy card" to achieve foreign policy and security objectives; e-mail communication, November 17, 2005.

¹⁴ Smith, *Russian Energy*, p. 43.

Under the stewardship of Simyon Weinshtok, Transneft has sought to consolidate control over oil shipments through its pipelines and in a manner that promotes the Kremlin's efforts to squeeze the Baltic States economically. In July 2004 the Kremlin sent Victor Kaluzhny, a former minister of fuel and energy, to Riga to serve as Russia's ambassador to Latvia. In 1999, the same Kaluzhny had sent a letter to Russian oil companies urging them to halt oil supplies to Lithuania in an obvious attempt to promote Lukoil's gaining control of Mazeikiu Nafta.¹⁵

Moscow has enjoyed less success in gaining leverage over Poland's energy infrastructure. Gazprom has been most active in attempts to secure control of local energy assets and has used its monopolistic clout to force Poland to sign an unfavorable contract that was only recently revised. Russian investors also have attempted to purchase the country's second largest oil refinery, Rafineria Gdanska. Polish officials, therefore, have observed: "The Polish energy market is murky, full of unclear deals and suspicions of links between business and politics....By letting in the Russians we will ultimately lose any chance to regulate and make the Polish energy sector more civilized."¹⁶

Specifically, Polish concerns have focused on PKN (Polski Koncern Naftowy) Orlen, the country's largest producer and distributor of fuel and a most profitable enterprise. For example, in the second quarter of 2004 its profits soared by 317 percent. About 94 percent of the company's crude oil comes from Russia so, like Mazeikiu Nafta, it is vulnerable to Russian export policies.¹⁷

Moscow's decision to build a pipeline under the Baltic Sea rather than one via a route parallel to the Yamal I pipeline underscores the fear of Polish security analysts about the Kremlin's intentions. Consequently, when allegations circulated that Russian energy interests were seeking to buy into Orlen, Polish authorities expressed keen concern about them.

¹⁵ It is noteworthy that Victor Chernomyrdin, the former prime minister and Gazprom director is the Ambassador to Ukraine. Taking these appointments together, we clearly see the link between Russian energy and vital foreign policy concerns on Moscow's part.

¹⁶ Bugajski, p. 145

¹⁷ Wanda Jelonkiewica, "PKN Orlen: Quest for Oil," *The Warsaw Voice Online*, September 1, 2004.

The key figure was Jan Kulczyk, Poland's "richest man," who in December 2004 appeared before a parliamentary committee exploring charges that he had been involved in a scheme to sell Orlen to Russian buyers. In this connection, it was alleged that he had met with the president of Lukoil in London in October 2002. The subject of the meeting was said to be the merging of Orlen and Rafineria Gdanska and then the sale of the new entity to Lukoil. In addition, it was alleged that Kulczyk met with an ex-KGB agent a year later in Vienna and his detractors saw it as further evidence of his playing ball with powerful Russian energy companies. Kulczyk has denied the allegations and claims that they are part of a political witch-hunt directed at big business.

The Foreign Connection

The third element of the Iron Troika involves certain political and business groups and the so-called "New Oligarchs" that have appeared in the four countries under analysis.

With the collapse of communism in Europe, the former Nomenklatura in the Soviet bloc was split into two political movements. The first group adhered to Marxist-Leninist ideology, favored a command economy and in the area of foreign policy looked toward Moscow for leadership.

The second, more pragmatic group adopted a social-democratic orientation that accepted the free market and looked favorably toward the West in the realm of foreign affairs. If they were not the most steadfast supporters of NATO and EU membership, they did not oppose affiliation with either entity. The post-Communist left in Lithuania and Poland most clearly fit this description.

The Lithuanian and Polish ex-communists, who adopted the Western-oriented, social democratic road, have skillfully conducted their affairs since the early 1990's and in recent years have become a powerful political force in both countries. Simultaneously their neo-Leninist comrades have faded from the political scene in the EBSR.

In Poland, the former communists made every effort to disassociate themselves from their political legacy, and they adopted a pragmatic not ideological approach to resolving the country's problems. Consequently, "Poles

came to see the social democrats as professionals who could run the government better than anyone else – in part because they were excluded from the great policy and personal battles of the early nineties.”¹⁸

It was against this backdrop that Alexander Kwasniewski, the ex-communist official, defeated the former Solidarity leader, Lech Walesa in the 1995 presidential race. Like the case of Vytautas Landsbergis in Lithuania, many Poles were put-off by what they deemed to be Walesa’s preoccupation with “the communist threat” and insufficient interest in mundane domestic matters that preoccupied ordinary folk. In both cases, the ex-communists, Kwasniewski in Poland and Algirdas Brazauskas in Lithuania, were deemed steady, pragmatic politicians preferable to activists like Walesa and Landsbergis who played a vital role in the struggle against Soviet rule, but now were “no longer relevant” in the post-Soviet period.

Secondly, the former communists inherited party resources, personnel and organizational networks that they had enjoyed under the old system. For example, even after the collapse of the command economy, the administrators and managers in the old Soviet-style enterprises have remained in place. In 1995, Kwasniewski’s “...greatest support...came from those associated with the old regime: enterprise managers, peasants, the military, and the police.”¹⁹

The so-called “New Oligarchs” are predominately the product of the privatization process that took place in the four countries in the early 1990s. Privatization campaigns in the Baltic States and Poland have involved people of all political stripes, not only those who wielded influence in the old system. Especially in the early stages of the economic transition, they conducted business in a manner that involved a cavalier attitude toward the law and accepted corruption as “the price of doing business.” And when pressed, many entrepreneurs who engaged in questionable business ventures could point out with justification that “at the time there was no law against it!” It, for example, could mean money made in gray areas where the law did not apply.

¹⁸ Jane Leftwich Curry, “Poland’s Ex-Communists: From Pariahs to Establishment Players,” in Jane Leftwich Curry and Joan Barth Urban, eds., *The Left Transformed in Post-Communist Societies*, Lanham, Maryland: Rowman and Littlefield, 2003, p. 36.

¹⁹ *Ibid.*, p. 33.

In this last connection, one hears accounts of profitable outcomes achieved by currency exchanges that were not deemed illegal because there were no laws extant that forbid them.²⁰

To explore the Russian factor further and gain insight into how elements of Russian Iron Troikas threaten the political and security prospects of the countries under scrutiny, we shall turn to recent political developments in Lithuania.

In the spring of 2004, President Rolandas Paksas, a two-time mayor of Vilnius who had served twice as Prime Minister, was impeached after being found guilty on three counts.²¹ A year earlier he had defeated Valdas Adamkus, an American émigré, by a five point margin in the second round of the presidential election. Furthermore, the younger man's effort was both well financed and skillfully orchestrated. Indeed, it looked much like an American-style campaign.

In post-mortems of the election, it was revealed that Russian money and Russian public relations experts had played a vital role in Paksas's unexpected victory. Yuri Borisov, a Russian businessman who serviced and sold helicopters from his company in Lithuania, conceded that he had donated 350,000 euro to the Paksas campaign. His help as expected had strings attached to the contribution because Paksas had promised him a hi-level post in his administration and granted him Lithuanian citizenship – one of the actions that had resulted in his ultimate impeachment. Borisov's contribution was just the tip of the iceberg, because it has since been alleged that he provided one million dollars to the campaign. Lithuanian and Russian analysts claim that "Russian interests" contributed as much as \$5 to \$7 million to Paksas's war-chest.²²

²⁰ Author's discussion with business people in Lithuania conducted over the past eight years that I have been writing a column on world affairs for *Lietuvos Rytas*, Lithuania's leading national daily.

²¹ See, Richard J. Krickus, *The Presidential Crisis in Lithuania: It's Roots And The Russian Factor*, Washington, D.C., East European Studies Occasional Paper, Woodrow Wilson International Center for Scholars, November 2004, pp. 12-15. Also, for a more optimistic assessment of the scandal, see Terry D. Clark and Egle Versikienė, "Paksas-Gate: Lithuania Impeaches A President," *Problems Of Post-Communism*, May/June 2005, pp. 1-8.

²² For a discussion of Russia's penetration of the Lithuanian political process, see, Artūras Rožėnas and Audrius Bačiulis, "Sunkus atsisveikinimas su Rusija" (Difficult Farewell To Russia), *Veidas*, March 11, 2004.

Clearly, whatever the precise amount, when the financial records were published, it was reported that both candidates received roughly similar sums of money. Lithuanian analysts however are convinced Paksas received far more than that from Russian sources and this explained why the Paksas's campaign was so prominent on TV, why it demonstrated a focused and on-message American style race, and why it distributed all manner of material that blistered Adamkus for his age, his attachment to the Williams deal, and for ignoring the plight of those Lithuanians who did not benefit from the new economy.

Russian political analysts had openly discussed Lithuania's vulnerability to outside manipulation for some time. Confusion over the relationship between the president and government provided an institutional wedge that could be exploited. For example, since the president cannot belong to a political party, he is detached from the legislative majority and cabinet.

But even more inviting for manipulation was widespread voter unhappiness with the political process and mainstream parties, and doubts about economic reforms.

Political scientist Raimundas Lopata and Baltic News Service editor Audrius Matonis have provided a detailed analysis of Russian involvement in the Paksas affair in their book, "A President in a Tailspin."²³ The Russian input was not merely an ad hoc, random affair; it was a premeditated campaign to subvert Lithuania's political process. It was crafted in Moscow and carried out in Lithuania through the Russian Embassy under the stewardship of Yuri Zubakov. It was Primakov's right-hand man then who would orchestrate the campaign to replace the American Valdas Adamkus as Lithuania's president with a compliant Rolandas Paksas in the 2002 election.

Contrary to prevailing conventional wisdom that the Kremlin was most dissatisfied with Estonia and Latvia because of their alleged mistreatment of ethnic Russians, Lopata and Matonis claimed that Lithuania was Moscow's priority target. It was the Lithuanians who were blamed for preventing a visa free regime for Russians traveling to and from Kaliningrad, it was the government in Vilnius that in league with the Poles was meddling in Ukraine and

²³ For the most comprehensive discussion of the Lithuanian presidential political crisis, see, Raimundas Lopata and Audrius Matonis, *Prezidento Suktukas* (President in a Tailspin), Vilnius: Versus Aureus, 2004.

Belarus, and it was the presumptuous Lithuanians who claimed that they were a model for a successful transition from a closed to open society that other former Soviet republics could emulate.

A Russian public relations firm with reputed close ties to the Russian secret service, Almax, helped implement a strategy that targeted those Lithuanians left behind by the new economy. In a search of Borisov's villa after Paksas was impeached, Lithuanian authorities found a plan designed by Almax to discredit the country's political elite and mainstream parties, presumably with the intent of promoting the fortunes of Paksas's Liberal Democratic Party (LDP) in the fall 2004 parliamentary elections. (He had formed it prior to becoming a presidential candidate.) But many Lithuanian analysts concluded that its real aim was to destabilize their country. The Paksas team had proposed an expansion of presidential powers, and if they had succeeded in that effort and the LDP had formed a new government in 2004, a man beholden to Russia would be in charge of a high office with new authority to shape policy at home and abroad.

Lithuania's leading national daily, *Lietuvos Rytas*, reported that Paksas's principal campaign supporter, Borisov, had been a member of a Soviet military intelligence (GRU) unit in Afghanistan. It surmised that he did not act on his own to curry favor with the president or simply to gain a commercial advantage, and observed that anyone involved in the sale and servicing of Russian helicopters had to enjoy close ties with Russia's military-industrial complex.

After coming under attack, Paksas denied that he sought help from radicals, but the media reported that many of his benefactors were tied to individuals with anti-democratic credentials and criminal associations. Several radical fringe groups that opposed the government's pro-Western orientation actively organized to bloc the president's impeachment. In pro-Paksas demonstrations one could find evidence of a Lithuanian red-brown coalition of sorts. Lithuanian police officials indicated that the radical-right (brown) anti-Semitic deputy, Vytautas Šustauskas, sought the help of Henrikas Daktaras, the reputed Kaunas mob boss, to organize demonstrations favorable to Paksas. Also, Valery Ivanov was present at such demonstrations, providing the red component of the "coalition." He had led the pro-Soviet Yedinstvo or Unity movement that organized anti-independence demonstrations in the

early 1990's. At the time, the KGB had calculated that the demonstrations would provoke violence and provide Moscow with the pretext to crush the rebellion.²⁴

In a fall 2003 memo authored by Mečys Laurinkus, the head of Lithuania's State Security Department (SSD) that precipitated the presidential scandal, the activities of Russian criminal organizations in Lithuania as well as Lithuanian criminals that often worked with them were cited. "Especially active on Lithuania's territory is 'XXI vek' (21st Century), an organization which is directly connected to Russian and international crime groups."

In a meeting with the Seimas, Laurinkus charged that one of the president's aides, national security advisor Remigijus Ačas had ties with Russian mobsters. Lithuanian and Russian criminals hoped to exploit Lithuania's next round of privatization and looked with great expectation toward the spring of 2004 when Lithuania was scheduled to join the EU. Afterwards, they hoped to gain access to Europe's vast market by using Lithuania as base from which to operate. Later phone taps revealed individuals associated with Paksas making threatening remarks about what they would do to Laurinkus when they had a chance to act.

Conservative politicians were convinced that here was further evidence to support their charge that Moscow was attempting to subvert Lithuania. Vytautas Landsbergis, the leader of the Lithuanian rebellion in the early 1990's, claimed that Russian penetration of strategic industries was both an economic and political threat to his country. According to the former Sajudis leader, the Kremlin began a decade ago to place economic operatives throughout the former Soviet Republics and satellite states with the hope of influencing political as well as economic affairs in those countries. He claimed that Lithuanian politician Victor Uspaskich, a Russian-born businessman from Kėdainiai and founder of the popular Labor Party, had been functioning in this capacity.²⁵ In 2004, Uspaskich's party received the largest number of seats in the Parliament but was unable to form a government; the previous one remained in power with Brazauskas serving as Prime Minister. The Labor

²⁴ Richard J. Krickus, *Showdown: The Lithuanian Rebellion And The Break-Up Of The Soviet Empire*, Washington and London: Brassy's, 1998, pp. 140-141.

²⁵ Interview, Vytautas Landsbergis, April 2004.

Party got several important cabinet posts – for example, Uspaskich became the economic minister. But the next year, he was forced to leave office because of a conflict of interest involving his business enterprises and Russian officials and his use of fraudulent academic documents. Notwithstanding his somewhat diminished political fortunes, he remains one of the most popular politicians in Lithuania and has been an active player in the attempt of Russian energy interests to purchase Mažeikių Nafta.

At the time of Paksas's impeachment, American officials denied a major Russian orchestrated campaign to subvert the Lithuanian political system and claimed the Russian mafia was not a problem. American diplomats – no longer in government – and others knowledgeable about the region, however, were of the opposite opinion. After revelations about massive Russian intervention in Ukraine in the 2004 presidential race there, the claims made by Lithuanian analysts clearly deserve a second look.

How Iron Troikas Interact?

Events associated with the Lithuanian presidential crisis provide a plausible answer to this question of how the various actors associated with Iron Troikas interact. In the spring of 2004, Lithuanian daily *Lietuvos Rytas* ran a series of articles based upon interviews with Yevgeny Limanov. The name is a pseudonym for a former Russian KGB operative who a decade ago was assigned to get involved in business affairs that promoted the interests of his superiors. Now living in the French Alps, he has provided insight into how Russian criminal gangs, economic warlords and government officials (Russian and “local”) work along parallel lines, or together, to promote their economic interests in countries that formerly were in the USSR's sphere of influence.

These associations of interests are led by the “Ultra-Patriots.” They represent the hard-core leadership or controlling groups of cadres; i.e., individuals associated with the “power ministries,” but who at times may operate independently of those ministries – e.g., the Ministry of Defense. The second tier is comprised of “Trustees” – i.e., individuals who do not belong to government agencies nor are they entrusted with inside information, but they work closely with the “Ultra-Patriots.”

A third group is comprised of “Agents” – involved in a variety of activities – who may not know who they work for and are clueless about the ultimate goals of the people at the top of the pyramid. They simply expect to derive economic or political benefits from the relationship.

Limanov observes, “I have no doubt that Almax is one of many organizations that work under orders from special services or some groups of ‘Ultra-Patriots’ and represents their interests.” He is not certain whether Ana Zatonskya, an Almax employee who worked both in the Paksas campaign and later arrived in Lithuania to prevent his impeachment, is directly working for the Ultra-Patriots or is a mere Trustee. But he would not be surprised if she belonged to the former. Of Borisov, Limanov says, “I know for sure that he is directly connected to the GRU group of Ultra-Patriots...not as an officer on the payroll but as a Trustee.” Finally, he believes that Paksas was under the control of Borisov without knowing that he was being used as a pawn to help Russian interests gain access to the highest reaches of the Lithuanian government. Moscow, however, had been watching him for years and concluded that he could be easily compromised. Limanov has reached these conclusions on the basis of sources that he is currently associated with and that belong to strategic agencies in Moscow – they are not based on past relationships.²⁶

A lot more work needs to be done to determine how Iron Troikas function, but if one accepts that the Russian government is seeking to exploit them to promote Moscow’s foreign policy and security goals, what are they? Five goals come to mind.

1. Moscow’s activities in the Baltic Sea Region are driven by mundane commercial considerations. That is, they hope to consolidate Russian economic interests through former Soviet-bloc countries and use them as a pathway into the vast EU market.
2. The Kremlin wants to punish the four countries for joining NATO and to discredit them in the eyes of former Soviet entities that contemplate EU/NATO membership.

²⁶ Marius Laurinavičius, “Maskvos tinklai supančiojo R. Paksui rankas ir kojas” (Moscow’s Web Tying R. Paksas’s Arms and Legs), Lietuvos Rytas, July 23, 2004.

3. The Russian government hopes to use Iron Troikas to influence the activities of the four countries within the EU and NATO. For example, to marginalize them so that they are incapable of playing a substantial role in both bodies.
4. Russia remains wedded to the idea that it can Finlandize them; that is, to gain virtual control of their foreign policies.
5. Moscow hopes to destabilize all four of them and to force them back into Russia's sphere of influence.

Most observers of Russia and the Baltic Sea Region would agree that the first three objectives are plausible; indeed, facts on the ground already support them. They also might concur that the *siloviki* would like to achieve the fourth and fifth goals, but there is no evidence that efforts to achieve them are underway – nor are they achievable.

On the basis of the analysis provided here, the evidence supports the proposition that Kremlin operatives have made an effort to achieve all five, although with limited success. But there is no indication that they will desist in their efforts, and the West must respond accordingly. Since the Kremlin planners view Iron Troikas as instruments to advance Russia's security interests, it behooves the West to think of them in military terms and not to dismiss them as economic or law enforcement threats.

Policy Recommendations

It is plausible that with the help of vast profits secured through the sale of its energy assets, Russia will address and resolve the myriad problems that

²⁷ The current practice of denial recalls the failure of American policy-makers to recognize as late as mid-1991 that the Soviet Union was imploding and Mikhail Gorbachev's days were numbered. This myopia was driven by the conviction that a USSR in tact was better than one in disarray and that while Mikhail Gorbachev was not exactly a democrat, the people waiting in the wings to replace him "were worse." Gorbachev was providing stability to the USSR at a time when it needed it most. It was thinking along these lines that led to President George H. W. Bush's "Chicken Kiev" speech in the summer of 1991 when he urged the Ukrainians not to bolt from the USSR.

threaten its internal security. But one cannot ignore the possibility that the situation can get much worse, and, like their Soviet predecessors, the ruling elite proves incapable of preventing fragmentation of Russian society. If this outcome came to pass, it would have significant security implications for the international community.²⁷

There is a new threat from Russia, however, that is existential. It involves the activities and actors associated with Iron Troikas that jeopardize the security of the EU/NATO member states in the Baltic Sea Region. These threats have been ignored for a while because they do not involve traditional military operations – no tanks are crossing borders nor are cities being devastated by air strikes. What’s more, the four countries under scrutiny have found a safe harbor in NATO, so nothing really bad can happen to them, at least at the hands of an outside military force.

Finally, Western analysts have ignored Iron Troikas in the Baltic Sea Region in the conviction that the countries in question all enjoy “democratic consolidation” and cannot be subverted by hostile foreign intervention. All four have conducted numerous free and open elections since the collapse of communism, and the rule of law prevails in spite of the aforementioned scourge of corruption. With Paksas’s impeachment, Lithuania faced a serious political crisis but resolved it within its constitutional and legal system. Perhaps the Russians tried to meddle in the country’s internal affairs in the hope of subverting the Lithuanian government, but that did not happen.²⁸

The events surrounding the Paksas affair, however, suggests Moscow came very close to subverting that country’s democratic institutions.

When a comprehensive assessment of Lithuania’s political crisis and the work of Keith Smith and Janusz Bugajski are taken into account, there is ample evidence suggesting that Iron Troikas are a threat to European and transatlantic security. Many analysts, journalists and politicians in the region have expressed alarm about their inability to deal with the Russian subversive campaign to undermine their political systems.

²⁸ This was the reaction that I received upon presenting my findings at two briefings at the Woodrow Wilson Center in 2004. On one occasion, a member of the audience, a former State Department official, observed that he found it rather strange that I was talking about Russian attempts to subvert Lithuanian democracy when it just entered NATO.

Clearly, the imperial-minded in Moscow, who deem the Baltic democracies an integral part of Russia's geo-political space, are encouraged by Western failure to confront President Putin on this matter.

In spite of being disheartened by Washington's silence on Iron Troikas, security officials in the Baltic Sea Region are even more disenchanted with their European EU allies. They lament that neither the EU nor the major states associated with it – France, Italy, Germany and the UK – are prepared to confront Russia and acknowledge the Kremlin's efforts to compromise them. Desperate for Russia's energy, they do not want to provoke a row with Putin. The Balts and the Poles, in particular, have expressed concern about Germany's plans to build a pipeline under the Baltic while not even bothering to consult them on this vital matter. As a consequence, they look to the U.S. to address the "new threat from Russia" because they have nowhere else to go.

Of course, any truly effective response to Russia's stealth imperialism must involve a joint EU-U.S. effort to put Putin on notice that threats to Poland and the Baltic states will not be tolerated. Consequently, just as the U.S. took the lead in encouraging European countries to support the latest round of NATO enlargement, it will have to take the initiative on this matter as well. Measures taken to cope with the threats associated with Iron Troikas must be holistic, and the Americans and Europeans must back their words with actions. While there may be many branches of the American government associated with this enterprise, it is predicted on the assumption that it is a security problem that cannot be treated piecemeal or via ad hoc measures.

On the economic front, the time is long overdue to acknowledge that the West must develop a comprehensive energy security program; energy security can no longer be treated as a matter of the free market alone. In London's Financial Times, hardly a mouthpiece for left-wing orthodoxy, Phillip Ellis, an advisor to The Boston Consulting Group, writes. "Energy security, including energy at affordable prices, is a basic public need that cannot be met purely by market forces when a country is short on domestic energy reserves." Moreover, "The passive role that government has played in energy security since the Thatcher-Reagan revolution is a luxury we can no longer afford."²⁹

²⁹ Phillip Ellis, "The state must be responsible for energy security," Financial Times, September 15, 2005.

If the Americans and Europeans are going to deal with the vulnerability of the Western alliance to energy blackmail, whatever its source, they must develop a global energy security strategy; failure to do so will place the security of all Western democracies at risk. This means, of course, addressing the controversial question: "In light of the critical role energy plays in the economic vitality of the Western democracies, can we allow free market forces alone to determine the availability and price of this strategic resource?" The answer is obviously a resounding "No!"

A stable supply of energy represents the center of gravity in determining the outcome to the most pressing security issues in the 21st century. By definition, OPEC as a cartel is in direct violation of free market principles. But, as we have indicated, so is Russia. Consequently, by itself a free market response to the problems that they promote is inappropriate.

Turning to less dramatic responses to the Iron Troikas threat, Keith Smith writes: "The EU's focus has been upon increasing supplies from Russia instead of on the conduct of Russian companies in the region." Individual EU countries have chosen to deal with Russia on a bilateral basis and to ignore complaints from East European members about Russia's harmful economic policies. Here he mentions the proposed gas pipeline that will run under the Baltic Sea from Russia to Germany. Since he first wrote about it, German and Russian officials have moved forward toward finalizing an agreement; one that the Poles and Balts have condemned because it is directed at them and has no economic justification. Their counterparts in Berlin have ignored their complaints, and this response will encourage Putin to look toward the future with the expectation that his energy card will serve as a wedge within the EU. At the same time construction of the North European Gas Pipeline will undermine efforts to develop a pan-European energy policy.³⁰

Smith devotes a long detailed analysis of what should be done to cope with Russia's playing the energy card at the expense of both EU and NATO members in the EBSR. Brussels must reconsider measures that compromise the ability of the four countries to cope with Russia's predatory economic policies. For example, the closing of Lithuania's nuclear power complex at

³⁰ For a discussion of the GNP dispute, see Federico Bordonaro, "German-Russian pipeline plans upset neighbors," *INS Security Watch*, September 28, 2005, pp. 1-4.

Ignalina (assuming it is a safe facility) and efforts on Brussels' part to reduce their dependency upon Russia, such as making it more feasible to purchase petroleum from Norway.

The single most important measure that the EU could take is to have Russia sign the EU's energy charter, "which requires the parties to be more transparent and competitive in their business dealings with member state companies. Transneft should be required to give up its monopoly pipeline to the West, and, along with Gazprom, should be made to allow other gas companies to use its pipeline system, particularly in the case of spare capacity."³¹

Directing his attention toward Washington, Smith observes. "The United States has not had a well-documented policy focused on countering the dubious business practices of Russia's energy companies. Nor has much attention been paid to the growing potential for these firms and the Kremlin to undermine the new political and economic systems that emerged from the collapse of communism in East Central Europe."³²

Among specific measures the U.S. must take to reduce New Europe's energy dependence upon Russia, Smith provides the following. The U.S. embassies in all four countries (and he includes Ukraine) must conduct studies to determine their energy dependence on Russia and the findings should be used in negotiations with the EU to determine how that dependency can be reduced. The U.S. must take a host of measures to encourage greater transparency on the part of Russia's energy giants – including closing markets to those Russian companies that do not practice it. With the EU, the U.S. should press Russia to adopt real privatization policies in its energy sector and both should fund expensive regional projects to help meet the energy needs of all five countries as well.

Turning to recommendations pertinent to the diplomatic and political dimensions of the Iron Troika threat, it is imperative that the West in its relations with Russia acknowledge their existence. Developing a cooperative relationship with Russia is a vital U.S. goal, but in approaching it, we cannot fantasize about Russia's true nature. Few serious observers of Putin's Russia would agree with the assessment that Russia shares common values with

³¹ Smith, *Russian Energy*, p. 65.

³² *Ibid.*, p. 59.

other democracies. This is certainly not the case of the ruling elite or, for that matter, of most ordinary Russians. The rule of law in Russia is a shame pure and simple.

The U.S. and the EU must confront Moscow on its manipulation of Iron Troikas at the expense of American allies. Not to do so will send mixed signals to the Kremlin, lead to failed policy initiatives and undermine cooperation between both sides that is based on a sound assessment of facts on the ground.

At the same time, Washington and the European capitals must put Poland and the Baltic countries on notice that the failure to fight corruption and crime and the complicity of local economic and political elites in promoting the *siloviki's* imperial objectives – even though greed and not treason may be the basis for their complicity – cannot be tolerated. The New European countries seeking NATO membership were required to adhere to certain principles in keeping with democratic practices. Why should these same principles be ignored by member states after they join NATO?

In conclusion, NATO must provide a comprehensive response to this “other than war” security menace to new member states.