

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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RUSSIAN FEDERATION

Politics

Borodin Detained At JFK Under Swiss Warrant

• Former Property Minister under Russian President Boris YELTSIN and now State Secretary of the Russia-Belarus Union Pavel BORODIN was detained on Wednesday at New York's JFK airport, where authorities were acting on a Swiss warrant. He is expected to appear for questioning at a New York District Court today. BORODIN had been given permission by Belarus President Alexander LUKASHENKO and Russian Prime Minister Mikhail KASYANOV to accept an invitation to attend President-elect George W. BUSH's inauguration in Washington, DC issued by a member of the inauguration committee. Geneva prosecutor's office head Bernard BERTOSSA recalled a warning made by his office that as soon as BORODIN ventured abroad, he would be detained. BERTOSSA said he would be seeking BORODIN's extradition, within the 30-day time period. Russian consular officials in New York have not yet been permitted access to BORODIN.

BORODIN has been the center of a two-year Swiss investigation involving *Mabetex* and *Mirkata Trading Company*, which won lucrative reconstruction contracts in the Kremlin and have been accused of giving out millions of dollars in kickback money and money laundering. BORODIN is alleged to have taken \$25 million in bribes. The Russian investigators dropped a parallel case late last year, claiming that it lacked evidence. Swiss prosecutors have expressed frustration over Russia's inability to cooperate on the investigation. The Swiss authorities issued an international warrant for BORODIN's arrest in connection with the case on January 31, 2000; it is still in effect. BORODIN arrived in New

York without his diplomatic passport. Documentation including his diplomatic passport judicially attested and translated into English, a copy of the resolution appointing him State Secretary of the Russia-Belarus Union, and his official invitation to attend the inauguration has been forwarded to lawyers in New York. BORODIN's US lawyers are planning to meet people who accompanied BORODIN on the visit to clarify the circumstances of his arrest. BORODIN has strenuously denied any wrongdoing. His lawyer Genrikh PADVA said BORODIN, "will undoubtedly appeal against the arrest warrant as unlawful."

Russian Foreign Minister Igor IVANOV summoned US Ambassador James COLLINS this morning, demanding, "the immediate and unconditional release of [Pavel] BORODIN." LUKASHENKO said, "This is a very unfriendly move by the United States in relation to Belarus and Russia." Nationalist Vladimir Zhirinovskiy suggested retaliating by arresting US citizens currently in Russia.

Abuses In Chechnya On The Rise

• Representatives from the Parliamentary Assembly of the Council of Europe on Monday began touring Chechen refugee camps collecting evidence on conditions and human rights concerns for a report to be presented at its meeting in Strasbourg. The Council will then decide whether to continue the suspension of Russia's voting rights to the Assembly. Russia's voting rights were suspended in April, 2000 be-

cause of human rights abuses in the Chechen War. Head of the delegation Lord JUDD said, "I think it is very sad that in a European country we have people living in tents with little prospect of returning home. I went into one tent with 16 people living in it and all the children had measles." JUDD met with military officials, administrators and civilians. He expressed concern over the slow pace of judicial decisions and low number of human rights cases passed on to prosecutors. He pointed out that of the 500 cases filed, only 10 have reached the court. He was shown one of 10 civilians courts established in the past few weeks. JUDD said, "There may have been some progress in some areas [on human rights], but on others I'm afraid there has not be progress. All is not well, we want to analyze what is not well, why, and how it can be put right to make things better for the people in Chechnya and by extension for those in the Russian Federation as a whole."

Russian Human Rights envoy for Chechnya Vladimir KALAMANOV said, "It would be ridiculous to claim there were no human rights abuses in a region of checkpoints and curfews." He surprisingly pointed out that the situation was improving.

Osam BASAYEV of Memorial, a local human rights organization, has a strikingly different opinion of the situation. Human rights abuses including widespread kidnapping and ransom of civilians have worsened. He said abuses against civilians have become more widespread, including a, "well functioning system of hostage-taking" by Russian forces. The Memorial representative said that round-ups of civilians, disappearances, and identity checks were increasing. Russia's willingness and ability to end these criminal acts has been doubted by former Supreme Soviet speaker Ruslan KHASBULATOV and Chechnya's Nauri Raion administrative chief Sergei PONOMARENKO. KHASBULATOV charged that the Russian military could have ended the Chechen resistance by now or turned it over to Interior Ministry forces. He warned that continuing reliance on a brute force could prove counter productive. PONOMARENKO noted that Moscow, "is not serious" about trying to end the war or its abuses. He said that Chechen field commanders pass freely at checkpoints and the military try to justify their inaction by the lack of specific orders to kill them.

Meanwhile, Akhmad KADYROV, the Russian ap-

pointed head of the Chechen administration, said he will recommend to President Vladimir PUTIN a plan to reduce federal troop numbers within Chechnya and checkpoints. It was previously estimated that Russian troops maintained in Chechnya was 100,000.

Russia Has Information On Gluck Kidnapping

- Russian Interior Minister Vladimir RUSHAILO said today that security forces had "information on persons involved in the kidnap in Chechnya of US citizen Kenneth GLUCK and on the place where he may be held." GLUCK, regional head of the humanitarian group Medecins Sans Frontieres (Doctors Without Borders-MSF), was kidnapped on January 9th. US Embassies have not received any ransom and no rebel group has claimed responsibility for the kidnapping. RUSHAILO offered no further details. He said a special unit was working on finding and freeing GLUCK. Russian security forces launched a search operation in the area of Stariye Atagi immediately following the kidnapping. State *RTR Television* said it was believed GLUCK was being held in the Vedeno gorge, south of Chechnya's devastated capital Grozny, by a group controlled by Arab-born commander KHATTAB.

It should be noted that the *Financial Times* quoted Osam BASAYEV of Memorial, a local human rights organization, as saying that abuses against civilians in Chechnya have become more widespread, including a, "well functioning system of hostage-taking" by Russian forces.

Economy

<p>Ruble = 28.04/\$1.00 (NY rate) Ruble = 28.35/\$1.00 (CB rate) Ruble = 26.63/1 euro (CB rate)</p>
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Putin's Aide Advises To Pay Paris Club Debt

- Russian presidential adviser Andrei ILLARIONOV blasted the government on Wednesday for its refusal to service its Paris Club debt, Reuters reported. According to the *Financial Times*, Russia owes the Club about \$48 billion. In January, it stopped servicing most of that debt, claiming that this year's budget does not allow for payment in full. "What is going on is more than a crime, it is a mistake," ILLARIONOV was quoted by Reuters. "In essence, it is theatre, it is a circus, it is a farce".

He stressed that the resources are available and Russia, "must pay, can pay and would profit from paying". ILLARIONOV he added that President PUTIN is likely to support the full payment: "The President has said that Russia will fulfill its obligations and I think this is what will happen".

Prime Minister Mikhail KASYANOV and other Cabinet members said recently that Russia would not be able to pay debts due this year to the Paris Club, even though Russia in 2000 reaped unexpectedly high revenues thanks to booming world oil prices. The government argues that an expected slump in oil prices will drain government coffers, leaving it unable to honor its foreign debts without breaking social obligations at home, Associated Press reported. There are also complaints that unusually cold winter temperatures have required additional spending.

Meanwhile, Germany has threatened to block Russia's intent to become an equal member of the Group of Eight (G-8) leading industrial nations, if Moscow does not service its foreign debts. "The current behavior of Russia is inconsistent with the demand of becoming a full member of the G-8," Deputy Finance Minister Caio KOCH-WESER was quoted by Reuters. Western officials have also voiced concern over the implications of the apparent differences between PUTIN and KASYANOV. "There is a clear and open contradiction between what PUTIN is saying and what KASYANOV and [Finance Minister Alexei] KUDRIN are saying and doing," one Western government official stated. "This is about issues that go well beyond debt. This is a question of the credibility and reliability of a G-8 partner," he stressed. "If you want to be a global player you cannot go round behaving like a Third World country".

Business

Trans-World Accused Of Money Laundering

- German prosecutors are investigating one of the nation's largest money laundering cases, in which *Deutsche Bank*, *Dresdner Bank*, and *Commerzbank* may have been used to obscure billions of deutsche marks. The banks, including Germany's largest state-owned bank *Westdeutsche Landesbank Girozentrale*, have not been accused of violating the law. The investigation centers on *Trans World Group*, which may have laundered "billions" of

deutsche marks through the banks, according to Peter SCHWARZWALD, spokesman at the Dusseldorf state prosecutors office. Money laundering hides the origin of funds by passing them through legitimate businesses. *Commerzbank* spokesman Peter PIETCH said, "We have no business with this group. But as we don't know which companies belong to the group, we can't rule anything out." Germany's weekly magazine *Der Spiegel* reported that the money came from a Virgin Islands company, which used a fictitious West Samoan bank to transfer the money. The transfers used a code belonging to Nassau-based *Trade Finance Bank*, which is under influence of the *Trans World Group*. *Trans-World Group* has denied it had laundered money and stated that independent audits had developed no evidence for such allegations. The company said it would cooperate with authorities. *Trans-World Group* was a major player in Russian, Kazakh and Ukrainian metals, mainly aluminum, but last year sold out of most of its businesses in the region to Russians.

Russian MGTS Gets \$90 Million Loan

- *Sberbank* has extended a \$90 million credit line to *MGTS*, the municipal telephone network. The credits will be disbursed in rubles. *MGTS* will pay 21 percent annual interest. The credit would fill out the company's working capital. *MGTS* has already bought back some of the Eurobond, but the majority is still in circulation.

SOUTH CAUCASUS & CENTRAL ASIA

Abashidze Arrives In Washington

- Chairman of the Georgian Revival Party and one-time presidential candidate Aslan ABASHIDZE arrived in Washington, DC on Tuesday. He was greeted at the airport by Georgian Ambassador Tedo JAPARIDZE and his business partner Tony RODHAM, the brother-in-law of President Bill CLINTON. ABASHIDZE is pursuing an impressive schedule, which includes meetings with business executives, political representatives, and interviews with the press. On Wednesday, he held talks with representatives of *Lockheed Martin*, which recently won a 15-year project to modernize Georgia's Aviation. He has also been invited to visit Houston by *Conoco Oil Company*. ABASHIDZE met with Senator John KERRY (Dem. MA). On Friday, he will meet with *The Washington Post* and RFE/RL

Radio Liberty. Today, in an on-line interview with USA Today, ABASHIDZE commented on various subjects including the state of the Caucasus region in the face of the Chechen War. He said that the instability caused by Chechnya, "is the world's problem." He noted that Russian President Vladimir PUTIN is, "energetic and decisive. Decisive leaders are good, because at least you know where they're coming from...When PUTIN makes a decision, he'll fight to get it implemented." When asked about Russian bases on Georgian territory and the problem of gas supplies, he said, "The details of an agreement to removing Russian bases from Georgia is being worked on—timelines are being decided. I don't believe that gas will be cut off again—debts will be restructured. The gas cut off was an economic problem, not a political one." He stated that Georgia is making an effort to attract investment and eliminate corruption. "Georgia is making steps towards stability, and its opening its doors toward making changes in the laws. Today, there are more guarantees for protecting investments than before. That's the purpose of my visit to the United States." Tonight, Chairman ABASHIDZE is hosting a reception in which public & private officials have been invited.

NATO Robertson Visits Armenia, Azerbaijan

- NATO Secretary-General George ROBERTSON arrived in Yerevan on Monday to discuss security issues and bilateral ties with Armenian leaders. ROBERTSON said the country's role in the Partnership for Peace program and its geo-strategic position would be discussed. He held meetings with President Robert KOCHARYAN, Foreign Minister Vardan OSKANYAN, and Defense Minister Serzh SARKSYAN. The Partnership for Peace program was devised to draw former Communist states into closer cooperation with the Atlantic alliance, but stops short of offering full membership, which could antagonize a suspicious Russia. KOCHARYAN said recently Armenia, which tends to be more pro-Russian than its neighbors, would step up cooperation with the alliance, but was not considering entry

talks. He also cautioned against the appearance of "new military components," a veiled reference to possible future NATO bases in neighboring Georgia or Azerbaijan, Reuters reported. According to ROBERTSON, no state in the South Caucasus had so far appealed for NATO membership, but noted there were many opportunities to expand relations with the alliance.

On Tuesday night, ROBERTSON arrived in Baku, Azerbaijan. He met with Azeri President Geidar ALIYEV, as well as the country's prime minister, foreign minister, defense minister, and parliamentary speaker. ROBERTSON told ALIYEV that resolving the conflict over Nagorno-Karabakh was vital to ensure stability in the region. "Nagorno-Karabakh is a serious problem which affects the Caucasus and it has to be resolved. If it remains unresolved, we cannot avoid military and economic problems in the region." He said NATO had no direct role in tackling the conflict, but backed efforts led by the Organization for Security and Cooperation in Europe (OSCE) in mediating. ROBERTSON praised Azerbaijan's cooperation with the alliance under the Partnership for Peace program. Another peacekeeping exercise will be conducted in October, 2001. He urged Azerbaijan to take measures to reform and reduce its armed forces. Defense Minister Safar ABIYEV said that his country believed and believes that one of the conditions of its security is active participation in European structures, including cooperation with NATO. ROBERTSON stressed that there is no reason why good relations between Azerbaijan and NATO should in any way contradict close Azerbaijani-Russian ties. "Russia and NATO are not enemies but partners today. We are trying to create a security zone in Europe," he said. ROBERTSON is now in Turkmenistan where he will meet with Turkmen President Saparmurat NIYAZOV, and representatives from the Foreign Ministry and the Defense Ministry. ROBERTSON will also be visiting Russia in February.

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