

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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RUSSIAN FEDERATION

Politics

Chechen Rebels Demand Ransom For Gluck

• Russian Lieutenant-General Valery BARANOV has said that intermediaries are holding preliminary negotiations with Chechen warlord YAKUB, who is believed to be holding US aid worker Kenneth GLUCK. Gunmen kidnapped GLUCK on January 9th, when he was on a mission with the international aid group Medecins Sans Frontieres (Doctors Without Borders). BARANOV stressed that he military is not involved in the ransom negotiations, but is still actively searching for GLUCK. In addition, Chechen officials have detained a man suspected of being involved in GLUCK's kidnapping. Russian news agencies quoted Interior Minister Vladimir RUSHAILO as saying on January 18th that security forces had information on who had kidnapped GLUCK and on where he might be held. But he gave no details. Chechnya's chief prosecutor Vsevolod CHERNOV said investigators had managed to establish who owned the car into which the aid worker was bundled during the abduction. The kidnapers have not put forward any political demands or proposed any prisoner exchange.

Norilsk Official Win Governor Seat In Taimyr

• Alexander KHLOPONIN, a top manager of *Norilsk Nickel* was elected governor of the isolated Taimyr region in northern Russia on Sunday. The win boosted *Norilsk's* influence in the region, which relies on the taxes and social payments made by the huge nickel, palladium, and platinum producer. He is the latest business chief to move into politics, after oil oligarch Roman ABRAMOVICH won the sparsely populated Arctic region of Chukotka on December 24th. Incumbent Gennady NEDELIN linked KHLOPONIN's bid to unseat him to attempts by President Vladimir PUTIN to clamp down on

the power of the oligarchs, businessmen with wide influence inside the Kremlin. He said, "The president of our Russian Federation has pushed the oligarchs aside on a federal level and they have been forced to move. Where? Into the regions, and not only into Taimyr and Chukotka. In some way they will get near to federal bodies via the regions," Reuters reported.

Scientists Present Kursk Scenario In Eos

• US scientists from the University of Arizona and the Los Alamos National Laboratory are presenting, in *Eos* the weekly newspaper of the American Geophysical Union, their claim that the Russian Kursk submarine sank last August, killing all 118-crew members, due to an explosion rather than a collision. The scientists analyzed shock waves recorded by a network of seismic stations in the Baltic region and beyond following the August 12th sinking. The Kursk seismic data showed features uniquely seen in underwater explosions, and strongly indicate the Kursk did not sink because of a collision or other impact. The first explosion was clearly recorded only at a few nearby stations while the second one released energy equivalent to around 5 tons of TNT and was recorded up to 5,000 kilometers away. The analysis showed the first explosion produced a seismic record consistent with 250 kilograms of high explosive, equivalent to the warhead of a modern torpedo. The scientists conclude that a torpedo misfired or exploded prematurely, and that the submarine absorbed a large fraction of the energy re-

leased. The second event is consistent with the explosion of four to eight SSN-19 ship-to-ship missiles, which the Kursk carried, or one cruise missile tipped with conventional high explosive warheads, Kyodo reported.

Economy

<p>Ruble = 28.36/\$1.00 (NY rate) Ruble = 28.36/\$1.00 (CB rate) Ruble = 26.12/1 euro (CB rate)</p>
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Steel Production Rises

- Russian steel production rose 17 percent to an eight-year high of 59.2 million tons last year from 1999, according to the federal Industry Ministry. The country's metal export revenue rose by 16 percent to 379 billion rubles (\$13.4 billion), compared with 1999. Revenue from exports of non-ferrous metals increased 15.5 percent to \$8.8 billion. Ferrous metals exports rose 26 percent to \$7.5 billion in 2000, the Interfax news agency reported. Domestic market demand for ferrous metals jumped 43 percent in 2000, with imports supplying 12 percent of such sales, Kommersant Daily reported. Ukrainian companies sold 1.04 million tons of steel pipes to Russian companies last year. Russia in January cut import duties on steel pipes to 15 percent, from 20 percent, for the next nine months.

Business

BP Amoco To Sell LUKoil Stake

- BP Amoco* plans to sell its 7 percent stake in *LUKoil Holding*, Russia's largest oil company, in \$650 million of stock and bonds to raise money for projects elsewhere. The company acquired the stock during the takeover of *Atlantic Richfield Co. (Arco)* last year. *BP Amoco* said in a statement that the stake in *LUKoil* is, "too small to give us any say in the management of *LUKoil*." *BP Amoco* will sell about \$150 million of *LUKoil* stock and the rest in bonds that will be convertible into *LUKoil* shares by 2006. This will reduce the British company's assets in Russia to a string of gasoline stations, a stake in a dormant Siberian natural gas field and a two-year struggle to rescue its \$484 million investment in another Russian oil producer, *Sidanco*, Bloomberg News reported. One analyst predicts that *BP Amoco* will sell its stake in *LUKArco*, a venture with *LUKoil* in Kazakhstan, as well.

NTV Journalists Meet With Putin After Protests

- Dozens of journalists protested in the streets on Moscow on Friday as Tatyana MITKOVA, one of Russia's most famous news anchors for *NTV*, was summoned for questioning. She told her supporters, "We will all be summoned and questioned. It doesn't matter on what pretext. This is psychological pressure and a direct threat to journalists. While some reports claim that her questioning was linked to *Media Most's* chairman Vladimir GUSINSKY's battle for control over *NTV* with *Gazprom Media*, others speculate that the questioning concerned loans to more than 100 employees from Image Bank, which is connected to *Media Most*. MITKOVA said she knew nothing about a \$70,000 loan, supposedly received in 1994.

MITKOVA's questioning followed claims made by *Gazprom Media's* Alfred KOKH that it had gained de facto control of *NTV* because court bailiffs had frozen a further 19 percent of shares. KOKH tried to quell fears that *Media Most's* acquisition by state-controlled *Gazprom* would be a blow to press freedom. He said there would be no interference in editorial policy and personnel changes would be kept to a minimum. He also criticized the summoning of journalists for questioning. "It is unacceptable to call in for questioning a journalist on a matter he or she had nothing to do with." *NTV* general director Yevgeny KISELYOV criticized the latest legal moves and denounced Russian President Vladimir PUTIN as, "the main puppeteer." He said, "PUTIN swore over and over he would not interfere in the dispute between *Gazprom* and *Media Most* and *NTV*. But in fact PUTIN is guiding KOKH. The law is on our side...We will uphold our rights by all legal means." Prosecutor General Vladimir USTINOV said that PUTIN is meeting with 10 writers and executives from *NTV* today. He predicted that PUTIN would tell the journalists that the law had to be upheld.

Soros Interested In Backing NTV Purchase

- Billionaire financier George SOROS has announced he will put up \$300 million to support a deal to purchase a 25 percent of Russia's *NTV* television network, The Wall Street Journal reported in its online edition. *CNN* founder Ted TURNER is interested in buying *NTV*, which is Russia's leading independent television station. *Media Most* is *NTV's* biggest shareholder, and TURNER is eyeing other

parts of its empire as well. *Gazprom* already owns 46 percent of *NTV*, while *Media Most* owns 49.5 percent of the television station. SOROS said he wanted to prevent *NTV* from being snapped up by natural gas monopoly *Gazprom*. *Gazprom* already owns 46 percent of *NTV*, while *Media Most* owns 49.5 percent of the television station. SOROS, who has wide business and philanthropic interests in Russia, said swift foreign investment in *Media Most* was needed to prevent Russia's only independent television network from falling into the hands of *Gazprom*. He said, "The outcome [of the dealings] is of great importance for the future of Russia. It would be a great achievement for press freedom if foreign groups can take control of operations before *Gazprom* does." SOROS added, "All is high drama right now. There are forces in Russia that want to destroy *NTV*... There are other elements that want to settle this issue... I'm behind TURNER's group. I'm willing to participate financially if necessary."

EUROPEAN REPUBLICS

Kuchma Calls For Closer Relations With NATO

- Ukrainian President Leonid KUCHMA has signed a decree pledging closer cooperation with NATO, a move apparently aimed at balancing similar agreements signed with Russia earlier this month. Ukraine has frustrated Russia by carrying out joint exercises with NATO since signing a partnership charter with the Western military Alliance in 1997. A spokesman at the presidential press service said KUCHMA's decree, signed at the weekend, ordered the government to work out steps to improve cooperation with NATO in 2001 thru 2004. Ukraine and Russia signed a series of military agreements, which includes a plan to create their first joint military unit since the two former Soviet states divided the Black Sea fleet in 1997. The move sparked speculation in local media that Russia was trying to exert control over Ukraine's military, though government officials denied this, Reuters reported. Ukraine has never directly expressed a wish to join NATO, but its overtures to the Alliance have been taken badly by Moscow, which sees NATO's eastward expansion as encroachment on its backyard.

CSFB Warns About Lack Of Energy Reform

- Credit Suisse First Boston's* Ukraine subsidiary said Ukraine may be running out of time to imple-

ment promised reforms in its power industry before it sells stakes in its regional power distributors, daily newspaper *Kievskie Vedomosti* reported. Alexander BAZAROV, the head of the CSFB unit that is adviser to the sale, acknowledged Ukraine "very seriously" wants to reschedule the distributors' debts, raise electricity rates and cut power supplies to nonpaying customers. Still, "there is less and less time," he said, adding that if reforms are not completed, there is no reason to hold the sales because "investors' optimism is melting away little by little." *Electricite de France*, *AES Corp.*, *Kansai Electric Power Co.*, *Union Fenosa Acex*, *Bewag*, *Cinergy Corp.* and *Vychodoslovenske Energeticke Zavody* have submitted bids for the stakes. They are currently negotiating with the government on the terms and could submit offers next month, if the reforms are implemented. Ukraine plans to sell the first three of the monopoly regional power distributors on February 23rd and another three in early March.

Lithuanian Economy Expanded In 2000

- Vilniaus Bankas*, the Lithuanian unit of *SEB*, said Lithuania's economy expanded more than expected in 2000, though its growth is not as strong as other Baltic countries. *Vilniaus Bankas* said gross domestic product (GDP) grew 2.6 percent in 2000, stronger than its earlier forecast of 1.9 percent. GDP should grow 4.2 percent in 2001 and 4.5 percent in 2002. "This is not much, if you look at neighboring Latvia and Estonia, where GDP is to rise 5.5 percent and 6 percent respectively in 2000," said Gitanas NAUSEDA, the adviser to the bank's board chairman. "We will reach the 1998 level only in mid-2001." NAUSEDA said the forecasts through 2002 probably won't be revised higher because of the tight 2001 state budget and a restrictive fiscal policy, Bloomberg News reported. The bank predicted that Lithuania's fiscal deficit would stay at 1.5 percent of GDP in 2001 and 2002 as the new government is determined to meet its commitment to the International Monetary Fund (IMF). The government agreed with the IMF that the fiscal deficit will not exceed 1.44 percent of GDP this year. The country's inflation is to stay at 1.8 percent this year and to rise to 2.8 percent in 2002. In the next few years, unemployment will be Lithuania's biggest problem, *Vilniaus Bankas* said, with the jobless rate expected to rise to 13

percent in 2001.

SOUTH CAUCASUS & CENTRAL ASIA

Shevardnadze-Sezer Successful Summit

- Georgian President Eduard SHEVARDNADZE met with Turkish President Ahmet Necdet SEZER today in Ankara, on his first foreign trip in 2001. The two leaders discussed oil transit along the Baku-Tbilisi-Ceyhan pipeline, the transportation of gas from Turkey, the prevention of terrorism, and prospects of political, trade, economic and defense cooperation. SEZER stressed that the relations between Tbilisi and Ankara are a "strategic partnership." He said that Ankara supports the territorial integrity and independence of Georgia and its aim to be integrated into the Euro-Atlantic community. SHEVARDNADZE will also meet with parliament Speaker Omer IZGI, former President Suleyman DEMIREL, Prime Minister Bulent ECEVIT, and other politicians, before returning to Georgia on Tuesday.

Georgia-Turkey Sign Military Cooperation

- Georgian Defense Minister Lieutenant-General David TEVZADZE and his Turkish counterpart Sabahattin CAKMAKOGLU on Monday in Tbilisi signed several agreements for deeper military cooperation, including an Agreement on Cooperation in the Defense Industry, an Agreement on bilateral regime of the clearing of anti-personnel mines on the State border between the two countries and on the prevention of the use this kind of weapons in future, and a Protocol on cooperation between the governments of the two countries in the sphere of statistics. Meanwhile, the formal re-opening of a Georgian Defense Ministry airfield took place on Sunday in Marneuli, 30 kilometers away from Tbilisi. The Turkish government had allocated \$1.27 million for the airfield modernization. The first phase of the airfield infrastructure is now ready for operation, and airplanes can land and take off during the day. The second phase will enable night flights. Builders from the Turkish Air Force have repaired the

2,500-meter-long main and spare runways, which are capable of serving airplanes of 220 tons. Taxing routes, parking and the air traffic control tower have been reconstructed as well. Georgian Parliament Speaker Zurab ZHVANIA said that the Georgian-Turkish relations have "special significance." He added that, "military cooperation with Turkey is the main possibility for us to approach NATO military standards," which he named as one of Georgia's key priorities, RFE\RL Newslite reported. Turkey embraced the Georgian initiative by launching several cooperation programs and eventually becoming Georgia's biggest trade partner after Russia.

Georgia's aim to join NATO has annoyed Russia, which is against NATO expansion, particularly in its backyard. Relations between the two nations has deteriorated on several levels: economic, diplomatic, and militarily. Last week, Georgia denied the Russian aircraft the use its airspace because of an unpaid debt. The Russian Air Force has neglected to pay \$170,000—including \$23,000 for 2000—for flying their aircraft over the Georgian territory, forcing the state-run air traffic control agency to impose a ban on their flights on January 22nd. The next day a Russian cargo plane was refused entry into Georgian airspace, United Press International reported.

Turkmen-Kazakhstan Discuss Mutual Debts

- Turkmenistan and Kazakhstan have started talks on the settlement of mutual debts. The Kazakh delegation was led by First Deputy Finance Minister Bolat ZHAMISHEV, while Deputy Prime Minister Yelly KURBANMURADOV led the Turkmen side. The talks focused on the debt and payment mechanisms. Results from the talks will be considered by the bilateral intergovernmental commission on economic cooperation in keeping with the decision adopted by Turkmen President Saparmurat NIYAZOV and Kazakh President Nursultan NAZARBAYEV. According to Turkmenistan's Central Bank, Kazakhstan's debt as of January 1, 2001 was \$52.7 million, including \$21.8 million for Turkmen

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