

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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RUSSIAN FEDERATION

Politics

Yabloko Joins No-Confidence Bid

• Yabloko leader Giryory YAVLINSKY Wednesday said that the faction would support a vote of no-confidence for the government of Prime Minister Mikhail KASYANOV, "unless the Cabinet makes specific commitments within a month's deadline," to start acting on proposals vital to the country. He said that, "the recent statement Russia would not act on its foreign debt liabilities was not the first major miscalculation by the government." Yabloko believes that the government has failed to take prompt action in support of its proposals. These include using additional budget incomes to start the transition to manning the armed forces on the contract basis as of this year, doubling salaries to military serving on contracts and reducing the draft. Yabloko also calls for amendments to the criminal code of procedure and the law on the prosecutor's office allowing arrest only with permission from a court of law, availability of the services of a lawyer to the detainee as of the moment of detention, and amendments to investment legislation (including that on the PSA) encouraging investments in the Russian economy, Itar-Tass reported. The faction wants urgent measures to support small and medium business, its protection from arbitrary decisions by officials, simpler business registration procedures, lower taxes and measures to strengthen in the income base of local budgets. It further calls on authorities to stop what it describes as "high-handedness towards independent mass media, including the NTV."

Meanwhile, deputy leader of the Communist Party Valentin KUPTSOV said the no-confidence vote against the Cabinet could be held in the second week of March. The Communists and their leftist

allies, who account for 127 seats in the 450-member chamber, are well short of the straight majority they need, but the debate could embarrass KASYANOV and President Vladimir PUTIN. KUPTSOV said the Communists had already collected 93 deputies' signatures for their motion, three more than required to get it on the Duma agenda. PUTIN can ignore an initial no-confidence vote, but if the Duma confirms it within three months with a two-thirds majority he must sack the cabinet or call early parliamentary elections.

Russian Troops Detain Journalist In Chechnya

• Russian troops in Chechnya on Wednesday detained Novaya Gazeta reporter Anna POLITKOVSKAYA near the village of Khatuni, claiming that she had broken the rules laid out for reporters working in the region. Konstantin KUKHARENKO, head of the press service for the federal troops in Chechnya told NTV, "We detained her because she arrived here illegally, having violated as a journalist the rules of accreditation." Although POLITKOVSKAYA was properly accredited to work in Chechnya, she failed to register her whereabouts in a military press office. Vyacheslav IZMAILOV, a military specialist at Novaya Gazeta, said POLITKOVSKAYA had gone to a Chechen village to talk to people about their living conditions, and had then gone to the military to hear their side of the story. Kremlin spokesman Sergei YAS-TRZHEMBSKY said she would be freed as soon as weather allowed her to be brought out of Chechnya

by helicopter. POLITKOVSKAYA is one of a small number of Russian reporters operating in Chechnya independently of Russian troops. Russia has faced international criticism in the past for cracking down on journalists covering the Chechen war. Russian journalist Andrei BABITSKY, who reported for the US-funded Radio Liberty from behind Chechen rebel lines, was detained by Russian troops in January last year and disappeared after Moscow said it had turned him over in exchange for Russian prisoners held by Chechen rebels. Gunmen held BABITSKY for several weeks before he resurfaced in neighboring Daghestan.

Economy

Blow To Foreign Investment Figures

- Alexander LIVSHITS dealt a blow to foreign investment figures in Russia for the year 2000. He said that most of the money classified as foreign investment last year was Russian money that was earlier sent illegally abroad to avoid taxes. He said that, "direct investment has not increased since 1999." LIVSHITS listed several reasons why foreigners are not investing in Russia: Moscow's effort to avoid repaying loans, the continuing flight of domestic capital, an unstable tax regime, and the absence of sufficient legal protection for investors, especially those with only a minority stake, RFE\RL Newslines reported.

Russia Pays Berlin And Plans To Pay IMF

- A Berlin Finance Ministry spokesman said today that the German government had received some 537 million marks (\$250 million) in debt repayments from Russia. The payment is nearly half of the 1.2 billion marks due this month. The spokesman said that this was a "good sign," of Moscow's overall commitment to service total debts to Germany of some 57 billion marks. After Moscow recently slipped behind with payments, Germany threatened to retaliate with measures such as suspending all new Hermes export credit guarantees to Russia, Reuters reported.

A Russian Finance Ministry spokeswoman said that Russia has reserved \$25.8 million to pay the International Monetary Fund (IMF) on Friday, ahead of the scheduled payment deadline of Sunday. She said that this will be Russia's last payment this month. Russia has already paid about \$279

million to the Fund in February. Russia is due to repay the IMF about \$2 billion (1.566 billion SDRs) in 2001, the Fund said.

Kudrin On Debt To Paris Club

- First Deputy Prime Minister and Finance Minister Alexei KUDRIN today said that Russia could pay its debts to the Paris Club in full this year without borrowing from international markets. To do this he told the Russian State Duma, it would be necessary to hold talks with the Club on deferring and restructuring debts when payments peak. Russia owes the Paris Club about \$3.8 billion this year, but payments due will rise to as much as \$18 billion to \$19 billion in 2003. The Russian government, citing temporary finance problems, said in January it would be unable to make full payments to the Club in the first quarter, but it is now trying to win Duma support for budget amendments that would help debt servicing. The Duma is voting on these amendments for allocation additional revenues toward debt payments today. KUDRIN said, "The government considers that extra revenues in 2001 will allow us to settle both the foreign debt problem and social problems, and even to increase salaries by 20 percent from autumn of this year. The extra revenues, by our modest conservative estimates, should total 108 billion rubles (\$3.77 billion)." KUDRIN said the government agreed with a compromise Duma proposal for the first 41 billion rubles of extra revenues to go towards foreign debt, and for the rest to be split evenly between debt and social needs. KUDRIN also said Russia had managed to reduce its overall foreign debt burden last year to \$144.4 billion from \$158.4 billion.

<p>Ruble = 28.65/\$1.00 (NY rate) Ruble = 28.70/\$1.00 (CB rate) Ruble = 25.99/1 euro (CB rate)</p>
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Business

Russia Calls For Vote On Chubais' Position

- Russian Deputy Energy Minister Viktor KUDRYAVY said Anatoly CHUBAIS illegally holds his job as chief executive at *Unified Energy Systems (UES)*. He called on shareholders in Russia's power distribution monopoly to vote on whether to keep him in the post at a meeting set for April 28th. KUDRYAVY wrote to the *UES* board last week saying a vote on CHUBAIS' post should have been held last

year, though no vote on the *UES* chief executive has been held since the utility changed its charter in June, 1999. "Nearly two years have passed since the altered charter was put into force, but still no election for chairman of the executive at a general shareholders' meeting has been held," he wrote. "CHUBAIS continues to perform the duties of chairman of the executive, a position to which he was elected by the board of directors in 1998," Bloomberg News reported. On April 28th, shareholders of the world's largest electricity grid, in which the Russian government holds 52 percent, will vote on proposals to change the power utility's charter to make it easier to fire CHUBAIS and to give the board more say over asset sales.

EUROPEAN REPUBLICS

Latvian Min. Survives No-Confidence Vote

- Latvia's Economy Minister Aigars KALVITIS today survived a parliamentary no-confidence vote initiated by the Social Democratic Workers Party. The Social Democrats alleged laws and government regulations were violated in the still-unfinished sale of a state stake in Latvia's largest shipping company, *Latvijas Kugnieciba*. Initially, they called on KALVITIS and *Latvijas Kugnieciba* Director General Janis NAGLIS to resign. It initiated the vote after they refused. The motion was supported by only 30 of 100 lawmakers, according to the parliament's press office. Following the vote, the Social Democrats said they are considering turning to the Constitutional Court.

Transneft On Baltic Pipeline System

- In a conference on investment in Russia, *Transneft's* Semyon VAINSHOTOK said that the Baltic Pipeline System (BTS) will give Russia new export potential of 12 million tons of oil a year. The cost of first stage of the pipeline is estimated at \$460 million. "As a result of the reconstruction and enlargement of the pipeline between Kirishi and Yaroslavl, it will be able to pump 30 million tons of oil a year, of which 12 million tons will be exported through Primorsk." He noted that building a port at Primorsk will be one of the most complicated parts of the project. *Transneft* will make up the difference in funding that the Russian government said it would spend on the project in 2002. He said, "BTS will have a significant influence on the overall economy of northwest Russia. The estimates of

total oil reserves of the Timan Pechora region range from about 1.5 billion to 2 billion tons. Today, we produce about 11 million tons of oil a year in Komi and the Nenets Autonomous Okrug [where Timan Pechora is located]. We are also working on plans for an oil pipeline from Kharyaga to Usa, which our company plans to complete by 2002. We also intend to build pipelines from the Nenetsk Autonomous Okrug to transport oil to Yaroslavl and Kirishi and eventually for export through Primorsk. The future of BTS is to hook up with new oil producing parts of the Nenetsk Autonomous Okrug," Bloomberg News reported.

SOUTH CAUCASUS & CENTRAL ASIA

Georgia Holds Energy Debt Negotiations

- Georgia's Fuel and Energy Ministry is holding negotiations with creditors of the energy system today. Representatives of the international group of companies *Itera* and Austrian company *Sierra Iol* intend to attend the negotiations. A delegation of Austrian *Raiffaizen-Bank*, which demands Georgia to repay its \$46 million debt, may also attend. The total sum of debts of Georgian energy system to just those creditors is \$90 million. Minister David MIRTSKHULAVA said Georgian planned to request restructuring of the debts at the negotiations.

EU Calls For Cooperation In The Caucasus

- Georgian President Eduard SHEVARDNADZE, State Minister George ARSENISHVILI, and Foreign Minister Irakli MENAGARISHVILI on Wednesday met with acting chairperson of the European Union (EU), Swedish Foreign Minister Anna LINDH, Supreme Representative of the EU for foreign political issues Javier SOLANA and the EU Commissioner for foreign relations Chris PATTEN to discuss the development of Georgia's relations with the EU and issues of regional concern. The sides focused on the need for peace and stability in the South Caucasus. LINDH called on Azerbaijan, Armenia and Georgia to cooperate and resolve regional conflicts. LINDH stressed the EU's continued support for negotiations to solve conflicts in its breakaway provinces of Abkhazia and South Ossetia. The EU pledged support for regional projects "on condition that each country agrees to take part together with its two neighboring countries." During last few years, the EU has allocated to Georgia as grants

up to 300 million Euro. LINDH stressed that the accession process of Georgia to the EU could be prolonged.

While visiting Azerbaijan, LINDH urged Azerbaijan and Armenia to step up efforts to achieve a solution for Nagorno-Karabakh, a conflict-torn enclave in Azerbaijan where an ethnic Armenian majority tried to secede in 1998. "The EU supports the direct dialogue on the conflict in Nagorno-Karabakh between the presidents of Azerbaijan and Armenia to find breakthrough in negotiations as soon as possible."

Kazakhstan Creates New Jobs

- Kazakhstan's Labor and Social Insurance Minister Alikhan BAIMENOV told a Cabinet meeting on Tuesday that the nation created 264 thousand new jobs in 2000, or 80 percent more than the target figure. He said the level of unemployment in Kazakhstan had been scaled down to 12.8 percent last year. BAIMENOV acknowledged that the number of unemployed had increased in the public works sphere but over 12 thousand people were enrolled for retraining after which 10 thousand were placed in jobs. "Positive shifts can be seen in the indicators relating to the living standards of the population," the Minister said. The population's money incomes increased by 4 percent to 5 percent over the year 2000. The average wage grew by 19.2 percent. Kazakhstan has planned some measures to combat poverty and unemployment. The Labor Ministry in conjunction with the ministry of transport, communications and tourism has developed methods to engage jobless people in public works in the sphere of road construction. Kazakhstan has earmarked 26 billion tenge (about \$180 million) to build and repair roads in Kazakhstan this year.

Uzbekistan Signs Loan For Gas Compressor

- Uzbekistan's government on Tuesday signed a loan agreement with foreign banks for \$195.21 million to build a compressor station on the Shurtan gas field in the southern Kashkadarya region.

Under the agreement reached with Uzbekistan's national oil and gas corporation *Uzbekneftegaz*, the US Export-Import Bank will lend \$102.94 million, while the *Israeli Foreign Trade Risk Insurance Corp.* committed itself to \$42.77 million. Holland's *ABN-AMRO Bank* and Israeli bank *Hapoalim* will contribute another \$49.50 million. Deputy Prime Minister Valery ATAYEV, who also chairs *Uzbekneftegaz*, said Israeli company *Bateman Projects Ltd* will supply the equipment and build the station on its gas deposit. "The Shurtan deposit has been developed since 1980 and accounts for 36 percent of all natural gas extracted in the republic. We are interested not only in keeping (gas) pressure stable, but also in increasing gas output," he said. Uzbek officials say the compressor station will become operational in 2003. Uzbekistan produces annually over 50 billion cubic meters (bcm) of natural gas, of which internal consumption comprises some 40 bcm while the rest is exported to southern Kazakhstan, Kyrgyzstan, Tajikistan, and Russia.

Tajikistan-Russia: A Strategic Relationship

- Tajik President Emomali RAKHMONOV said in an interview published by *Nezavisimaya Gazeta* on Wednesday that Russia is its main strategic partner. He said, "This is a position of not only the country's leadership, but of the whole people of Tajikistan." RAKHMONOV said border cooperation between Russia and Tajikistan was especially important. Russia's large border force guards Tajikistan's border with Afghanistan. However, economic contacts between the two countries have been "on the dead ground" over recent years, although possibilities for economic cooperation are good. He noted that the situation in Afghanistan is hindering their relations. He said, "Afghanistan has become a world center in production of narcotics and a hotbed of international terrorism." Afghanistan's conflict can be resolved with assistance from Russia, the US, UN, and of the rival parties themselves, RAKHMONOV said.

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