

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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RUSSIAN FEDERATION

Politics

Mass Grave Found Near Russian Base

• Memorial representative Usam BAYSAYEV said that 27 Chechen bodies have been recovered from a site near the Russian military headquarters in Khankala. All had gunshot wounds to the head and one had his eyes gouged out. The New York Times, which also reported the finding of bodies, said mines had been placed on many of them, apparently to kill people seeking to remove them. The bodies have been identified by their relatives. Arbi SAIDOV, a spokesman for separatist leader Aslan MASKHADOV said the bodies are those of, "young Chechens arrested during Russian search operations in and around Grozny, then detained at the Khankala base before being reported as missing." Three of the bodies were identified as those of young men missing since they were arrested on December 12th by Russian troops in the villages of Dolinsky and Raduzhnoye.

The grave discovery comes after reports from Novaya Gazeta journalist Anna POLITKOVSKAYA, detained by Russian authorities in Chechnya last week, point out that suspected Chechen rebels were being held in pits in a Russian detention camp. POLITKOVSKAYA claims that she was detained for reporting on the detention camp pits and not for operating as a journalist in Chechnya without being registered with the military. Chechnya's chief prosecutor Vsevolod CHERNOV promised Sunday to investigate the journalist's claim. Vladimir KALAMANOV, President PUTIN's commissioner for human rights in Chechnya, said he will investigate the claim and "thoroughly examine the territory." He said there was no proof that Russian soldiers were holding suspected Chechen rebels in pits. The Council of Europe's human rights commissioner

Alvaro GIL-ROBLES is scheduled to visit Chechnya and hold talks with senior government officials in Moscow during his five-day visit.

Russian and Chechen reports indicate that as many as 56,000 civilians, soldiers and rebels have been killed in the conflict. Russian positions came under fire from separatist forces almost 100 times in Chechnya last week, and more than 40 of these attacks took place in Grozny. The head of that administration, Akhmad KADYROV, said he backed PUTIN's decision to focus on commando-style operations against rebel leaders and withdraw many of the troops from the region as a step towards reducing human rights violations.

Powell-Ivanov Hold First Meeting

• US Secretary of State Colin POWELL and Russian Foreign Minister Igor IVANOV met in Cairo on Saturday. This is the first meeting of the Russia and US under the new BUSH administration. The US accepted a Russian request to continue arms control talks in the framework developed under Russian President Vladimir PUTIN and former US President Bill CLINTON. The group dealt with the full range of arms talks, including offensive weapons such as ballistic missiles, the proliferation of nuclear weapons, and defensive systems such as the proposed US missile defense. It would cover START talks on reducing strategic arms and talks on the US request that Russia modify the 1972 Anti-Ballistic Missile (ABM) treaty to accommodate the US plan for

a national missiles defense (NMD) system. US President George W. BUSH has advocated deeper cuts than CLINTON in the nuclear arsenals of the two former superpowers. He also is a proponent of launching a NMD shield, despite opposition from Russia and China. US Defense Secretary Donald RUMSFELD has said that Russia only has itself to blame for NMD because as an "active proliferator" it had spread nuclear and missile know-how. POWELL noted that the Russian plan for defense security proposed to NATO last week did not meet the security needs of the US. He added that Russian troops in Chechnya should be accountable for human rights abuses against the civilian population. POWELL and IVANOV also discussed the collapsed Middle East peace process and Iraq.

Russia-Iraq Oil Not Approved By UN

- The UN sanctions committee on Iraq has not approved a plan allowing Russia's *Tatneft* to start drilling for oil in Iraq this year. While *Tatneft* said earlier on Friday that it had won approval for the drilling plan in December, the diplomats said the sanctions committee had not approved the plan and that it had no chance of passing in its current form. "There's no way we're going to allow that. It would be a major breach of sanctions," one diplomat told Reuters. "The United States and Britain have major problems with this. I don't think that they will approve it. They may allow some equipment to come in, but I don't think they'll allow them to perform services," a Western diplomat said. *Tatneft* countered that the decade-old Gulf War UN sanctions on Iraq do not extend to work aimed at increasing oil output. It said it would be operator of the year-long project to drill 45 wells for Iraq's state-owned North Oil Company and work would begin only when the Security Council opened a letter of credit with French bank *BNP Paribas*. *Tatneft* has already met with *Zarubezhneft* and arranged to have all the necessary technical equipment in Iraq within three months. The plan is based on a contract between *North Oil Company*, which handles all production and exports in northern Iraq, and Russia's *Zarubezhneft* that was signed around 18 months ago. Under UN Security Council sanctions imposed on Iraq after its 1990 invasion of Kuwait, a council committee monitors all contracts that Iraq enters into with foreign business concerns, to assure goods brought into the country cannot be used in making weapons of mass destruction.

Economy

Ruble = 28.70/\$1.00 (NY rate)
Ruble = 28.73/\$1.00 (CB rate)
Ruble = 26.15/1 euro (CB rate)

Russia Will Pay In Full Feb. Paris Club Debt

- Russian Prime Minister Mikhail KASYANOV on Sunday said that the nation will pay in full its February debt payments to the Paris Club on Tuesday. He added that Russia will fulfill its March obligations as well. Russia still owes the Paris Club nations \$620 million out of a total of \$1.2 billion due in February. State debt agent *Vneshekonombank* paid \$577.45 million to the Club on February 20th. On Thursday, Russia's State Duma approved budget amendments that will allow the nation to direct more funds toward debt servicing. Extra revenues are expected to come from higher than originally anticipated world prices for oil and gas exports. The amendments mean the first 41 billion rubles (\$1.43 billion) in extra revenues will go toward paying interest on foreign debt. Russia owes the Paris Club around \$3.8 billion this year, but payments due will rise to as much as \$18 billion to \$19 billion in 2003.

Russian Money Supply Expanded

- Russia's money supply expanded to 496.9 billion rubles (\$17.4 billion) in the week to February 19th, the Central Bank said. The money supply, which includes cash currency in circulation plus required reserves, increased by 3.6 billion rubles in the week to February 19th, after rising by 9.4 billion rubles in the week to February 12th. Russian foreign currency and gold reserves declined to \$28.9 billion in the week to February 16th, after rising to a record in the week to February 2nd, the Central Bank said. Reserves shrank \$500 million in the week to February 16th, after falling \$100 million the previous week.

Business

Sberbank Preliminary 2000 Profits

- Russia's state-controlled savings bank, *Sberbank*, said it earned 13.7 billion rubles (\$477.7 million) in 2000, according to preliminary results under Russian accounting standards. Its shares soared \$1.30, or 5.7 percent to \$24.00, after declining 11 percent last week. *Sberbank* said its loan portfolio

totaled 280.8 billion rubles as of January 1st, of which 255.1 billion rubles was lent to industry. The bank's equity totaled 42.5 billion rubles. It gave no comparable figures for 1999. The state-run savings institution has the largest branch network in Russia and the second-biggest in the world behind China's *Trade and Industry Bank*. *Sberbank*, 58 percent owned by the Central Bank, said last week its loan portfolio grew 75 percent in 2000, as it increased lending to industrial companies cut off from cheap foreign loans since 1998. The government has urged the bank to lend more to domestic producers to boost industrial growth.

EUROPEAN REPUBLICS

Former Belarus Defense Min. For President

- Former Belarus defense minister, Colonel-General Pavel KOZLOVSKY, announced he would run against President Alexander LUKASHENKO in an election scheduled for September, pledging wholesale government reform. "My goal is not just to beat the president, but to change the current regime," KOZLOVSKY said. He wants to make Belarus, on Russia's western border, more open to Europe. LUKASHENKO, elected by a landslide in 1994, has been shunned in the West since he extended his powers in a 1996 referendum and launched periodic crackdowns on the opposition. KOZLOVSKY was defense minister until LUKASHENKO's election, but has not participated in politics since. He said he would not stand under the banner of any opposition party. Opposition parties have said they want to put forward a single candidate to maximize their chances of beating LUKASHENKO, but have so far failed to agree on one. Likely opposition candidates include former prime minister Mikhail CHIGIR, trade union leader Vladimir GONCHARIK, and Semyon DOMASH, a former regional head.

Ukraine Opens Highway Tender

- Ukraine has opened a tender for an investor to oversee construction of a 466 million-euro (\$425 million) highway from the country's western border to the capital and then manage it for 49 years, *Biznes* reported. The 146-kilometer highway would

stretch between Vinnytsia to Kiev and should be constructed within the next six years, according to the Transportation Ministry. The government expects that about 25,000 cars a day will use the highway. Investment in the highway may pay for itself within 13 to 23 years. Ukraine said it plans to announce preliminary results of the tender by July 18th. Ukrainian government expects the economy will continue to grow, boosting demand for transportation services. This year, Ukraine's gross domestic product is expected to grow at least 4.2 percent from 2000, after annual 6 percent increase last year.

Williams May Renegotiate Mazeikiu Sale

- Lithuanian Prime Minister Rolandas PAKSAS said *Williams International* may need to renegotiate parts of the agreement under which it bought a third of *Mazeikiu Nafta*, the country's top oil company. *Williams* needs to work with the government to resolve problems with the 1999 state asset sale after Lithuania's Constitutional Court last year ruled several paragraphs of the original sale agreement unconstitutional. Lithuania owns the remaining two-thirds of *Mazeikiu*. PAKSAS said, "I have proposed organizing in the near future a working group, to sit down at the table and try to find a common solution, with the possibility or necessity to change some of the paragraphs of the agreement." *Mazeikiu Nafta* reported losses in 2000 widened to 179.06 million litas (\$44.77 million), from 158.9 million litas in 1999 on problems obtaining crude oil from Russia. It plans to sign several long-term agreements with Russia's oil producers this year, despite several cut-offs last year. PAKSAS said his government will do all it can to ensure stable crude supplies for the refinery. The government last month said it wants *Mazeikiu Nafta* to refine 7 million tons of crude and ship 8 million tons of oil through the Butinge terminal in 2001, Bloomberg News reported.

SOUTH CAUCASUS & CENTRAL ASIA

Seized Cargo Destined For Georgia Returned

- Russia's Custom's Agency has returned to Switzerland two shipments of military equipment and humanitarian donations destined for the Georgian Justice Ministry and registered as diplomatic, which was seized last fall. The equipment, given freely as a gift, was designated for the Georgian border and prison guard services. The two cargo

shipments were intercepted on the Ukrainian and Azeri borders with Russia. The Swiss government, within the framework of the NATO Partnership for Peace Program and the Program for reducing the Swiss Army, donated 50 Pinzgauer 4x4 vehicles produced in the 1970s to be used for the Penitentiary Department, 3,000 uniforms for prison personnel, warm jackets, medical equipment for hospitals etc. Russia claims that the supplies were suspicious and appeared to be aimed for Chechen rebels. Switzerland had previously granted similar aid to Russia and Ukraine. Russia media had circulated reports that it planned to confiscate the donations under customs regulations. Instead, the cargo has been returned to Switzerland. **Comment:** Russia's discrimination of these shipment for Georgia versus others is another indication of Russia's psychological warfare campaign against Georgia. Other aspects of this campaign include the shutting off of gas during the severe winter, the implementation of a visa regime, and refusal to fulfill a withdrawal agreement of Russian basis on Georgian territory. Georgia's refusal to allow Russian troops to enter the Pankisi Gorge in Georgia and to expand the Chechen war on its territory continues to factor large in Russia's decision to pressure Georgia.

BP Suspends Drilling In Azerbaijan

- *BP Amoco* has suspended drilling of the first well at Azerbaijan's Inam offshore deposit in the Caspian Sea for at least four months because of high underground pressure. The *BP Amoco*-led consortium used a semi-submersible Dede Gorgud rig at the deposit, which has an estimated 1 billion barrels of oil reserves, when the drill faced high pressure, said *State Oil Company Of Azerbaijan (Socar)* official Valekh ALESKEROV. Socar holds a 50 percent stake in the Inam project. The first well was originally scheduled for completion in March. The consortium will have to wait for arrival of an Istiglal rig, which drills now at the Apsheron deposit being developed by *Chevron Corp.* The partners planned to drill two appraisal wells at Inam at a cost of as much as \$80 million, according to *Shell. BP*

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Amoco faced another set back Friday when two workers were killed in an accident at the Dede Gorgud. The companies will make a decision on whether to proceed with the deposit's full-scale development based on the tests of the appraisal wells. The development of the field will require between \$1 billion to \$3 billion in investment, depending on the found reserves.

Devon Buys Azeri Stake From Ramco

- *Devon Energy Corp.*, an oil and gas producer, said it bought a 0.8 percent interest in a Caspian Sea oil project from *Ramco Energy* for \$58.3 million. The purchase increases *Devon's* ownership to 5.6 percent from 4.8 percent in the Azeri-Chirag-Gunashli oil fields. Spokesman Zack HAGER said it adds 17.5 million barrels of oil to *Devon's* reserves, boosting them to 121.5 million barrels. The Oklahoma City-based company acquired its initial interest in the field when it purchased *PennzEnergy Co.* in 1999. Development costs for the field are paid by *Devon's* partners, which include *Exxon Mobil Corp.* and *Unocal Corp.* *Devon* will repay its share with revenue from the field, Bloomberg News reported. After capital costs are repaid, *Devon* will receive its full share of revenue. *Ramco* announced in December that it would sell its 2.08 percent stake in the field to fund other projects. The *Devon* purchase completes those plans. *Amerada Hess Corp.* and *Unocal* were the other buyers.

Uzbek-Kyrgyz Hold Security Talks

- An Uzbek delegation, led by Prime Minister Utkir SULTANOV, is meeting with Kyrgyz counterparts in Bishkek to discuss regional security matters. Both sides have concerns over the activity of gangs and international terrorists in Central Asia. Other topics to be discussed include bilateral trade-and-economic contacts and the resumption of the deliveries of Uzbek gas to Kyrgyzstan.

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