

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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RUSSIAN FEDERATION

Politics

Putin's Popularity Declines Slightly

□ According to an opinion poll conducted by the Public Opinion Foundation, Russian President Vladimir PUTIN's popularity dropped slightly as compared with an earlier poll. Russians were asked whom they would vote for if presidential elections were held next Sunday. The results showed that 44 percent would vote for PUTIN, down from 45 percent the previous week. The President's nearest rival, Communist leader Gennady ZYUGANOV, saw his support rise to 15 percent from 14 percent. ZYUGANOV's campaign to hold a vote of no-confidence on Prime Minister Mikhail KASYANOV and his Cabinet is getting stronger, with the support of Yabloko and Fatherland Party. Next in the poll was Kemerovo Region Governor Aman TULEYEV (4 percent from 3 percent), Yabloko leader Grigory YAVLINSKY (remaining at 3 percent), and former prime minister Yevgeny PRIMAKOV (remaining at 2 percent). PUTIN was elected in March, 2000, with 52.9 percent of the vote, while ZYUGANOV received 29.2 percent, YAVLINSKY got 5.8 percent, and TULEYEV placed fourth with almost 3 percent. When asked whom they would vote for under any circumstances 51 percent selected Liberal Democratic Party leader Vladimir ZHIRINOVSKY, 29 percent picked ZYUGANOV, 24 percent chose YAVLINSKY. PUTIN fell last in the poll with only 6 percent of the vote, behind PRIMAKOV with 13 percent and TULEYEV with 8 percent. The February 28th and 21st polls surveyed 2,000 people in 29 of Russia's 89 regions. Both polls carry a 3.6 percent margin of error.

Lesin Launches Positive Image Campaign

□ Media Minister Mikhail LESIN said on Tuesday that Moscow will launch an advertising campaign

in the US aimed at creating a positive image of Russia. He said that the US administration is spending, "a large amount of money on making Russia's image worse." LESIN asked "when will they stop telling Americans lies about the processes that are taking place in our country?" He said that Moscow will publish within two weeks a report "On the situation of Freedom of Speech and Freedom of Action in the United States," RFE\RL Newline reported.

Security Threatening Rights And Democracy

□ Russia's human rights commissioner Oleg MIRONOV said Russia had failed to fulfill important obligations to the Council of Europe and the European Declaration on Human Rights. He said that Russia's resurgent security forces are threatening to wreck democracy and basic freedoms. MIRONOV said shadowy security forces were regaining some of the influence they lost with the Soviet Union's collapse. "A few characters from this world have come out of the shadows and are gaining power, and I feel pressure not only on society but on my own work," MIRONOV told Council of Europe ambassadors. Moscow had shirked its commitment to the Council of Europe by retaining the death penalty, limiting the number of mainstream Russian religions and failing to halt arbitrary arrests and corruption-riddled elections, Reuters reported. Reuters reported that MIRONOV expressed concern over the rising power of the Security Council, which is subordinate only to Russian President Vladimir PUTIN. He said, "It wor-

ries me and it should be subject to law, as the Constitution demands." MIRONOV's comments echoed the US State Department's annual human rights assessment, which focused criticism on a threat to Russia's only independent national television station and persistent allegations of atrocities in separatist Chechnya. It stated, "Numerous credible reports of human rights abuses by Russian forces in Chechnya, which included extra-judicial killings, torture and rape, provoked widespread condemnation and calls for accountability." Russia has admitted to isolated rights infringements in the course of military operations, but denies they were regular or excessive. Washington has criticized PUTIN's human rights record and questioned the true targets of the "dictatorship of the law" PUTIN has pledged to create. MIRONOV also expressed concern over the freedom of the press in Russia.

Economy

<p>Ruble = 28.62/\$1.00 (NY rate) Ruble = 28.68/\$1.00 (CB rate) Ruble = 26.70/1 euro (CB rate)</p>
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Kasyanov Urges Economic Stimulation

□ Russian Prime Minister Mikhail KASYANOV today called on the government to stimulate economic growth this year, after expansion slowed in the first two months. He urged the Cabinet to take greater efforts to make industry more competitive, including by removing bureaucratic obstacles. KASYANOV said one of the government's main tasks was to reform the tariff policies of natural monopolies, a term often used to refer to Russia's gas, electricity and railway networks. "For the economic stability established last year to lead to economic growth this year, it is necessary to create the fundamental conditions for this growth." Russian industrial output grew 9.5 percent in 2000, but the pace of growth has slowed. In month-on-month terms, industrial growth in January fell 5.4 percent, although it was still up 5.3 percent compared with January, 2000. The latest Purchasing Managers' Index (PMI) data, issued today by *Moscow Narodny Bank*, showed Russia's manufacturing economy expanded for the 27th successive month in February, but the pace of growth was the slowest since December, 1998. *Moscow Narodny* said the more modest expansion of Russian manufacturing output at the start of 2001 largely reflected subdued growth of

new orders, Reuters reported. Preliminary figures presented at the Cabinet meeting showed Russia had a budget surplus in 2000 of 173.5 billion rubles (\$6.06 billion), or 2.5 percent of gross domestic product (GDP). This compares with a deficit of 1.1 percent of GDP in 1999. The primary surplus, excluding debt servicing, was 345.7 billion rubles, or 5.0 percent of GDP, compared with 2.5 percent in 1999. Russia's trade surplus, thanks largely to strong world energy markets, was more than \$61 billion last year, up from \$35.6 billion in 1999, with exports at \$105.2 billion and imports \$44.2 billion. KASYANOV stressed that budgetary amendments had to be strictly adhered to.

Business

Yukos Predicts Lower Profits

□ *Yukos* Chairman Mikhail KHODORKOVSKY said that lower oil prices will mean lower profits for the oil company this year. According to US GAAP accounting standards, *Yukos* made a net profit of more than \$2.5 billion, a rise from \$1.5 billion in 1999. KHODORKOVSKY predicted that the downward trend in Russian oil prices will continue until the end of the year. He said that *Yukos* will increase capital investment to about \$850 million, mostly in extraction, and increase output to about 56.6 million metric tons up from 49.5 million in 2000. In an interview with the *Financial Times*, he said that *Yukos* has no plans to issue new shares, as the price of shares on the stock market is about half the replacement cost of its fixed assets. He said that the oil company does support a program being developed among institutional shareholders to swap existing ordinary shares for level-one American Depositary Receipts. KHODORKOVSKY also expressed hope that China will diversify its energy resources to include Russian oil. "We hope that China will decide to construct a pipeline...it is possible that one might be constructed in 2005."

Gazprom-ABB Sign \$500M Agreement

□ Swiss-based engineering company, *ABB Ltd.*, signed an agreement with *Gazprom* to participate in a \$500 million project to build three polyethylene-producing units for the petrochemicals subsidiary of Russia's largest gas producer. *Gazprom's Sibur* signed a letter of intent for *ABB Lummus Global*, *ABB's* US-based refinery equipment-producing unit, to help build plants to make polyethylene at

three of the petrochemicals producer's refineries, two of which are in central Russia and a third one in Siberia. *Sibur* spokeswoman Irina GAN noted it needs to raise funds, some of which will come from *Sibur* and *ABB*. Each polyethylene-producing unit will cost an average of \$120 million, GAN said. *Sibur* plans to invest \$3 billion by 2010 to boost production, including more than doubling investments this year to \$250 million from \$100 million spent in 1999.

EUROPEAN REPUBLICS

Gaz De France To Bid On Lith. Gas Stake

□ *Gaz de France* has reaffirmed its interest in participating in the sale of Lithuania's state-run gas utility, *Lietuvos Dujos*, an adviser to Prime Minister Rolandas PAKSAS said on Tuesday. Ona JUKNEVICIENE, privatization adviser to PAKSAS, told Reuters, "The Prime Minister, in his turn, assured *Gaz de France* that the privatization of *Lietuvos Dujos* will proceed according to the action plan approved in February." Lithuania has pledged to sell between 34 and 51 percent in the monopoly gas utility. It has also said it could sell operational control with a minority stake. In early February, Lithuania's government asked privatization adviser *BNP Paribas* to submit proposals on how big a stake should be placed on the market, with the expectation that a tender could be launched in early summer. Russia's *Gazprom* and Germany's *Ruhrgas* have said they were interested in the sale. They already hold minority stakes in *Latvijas Gaze* and *Eesti Gas*.

Ukrainian Protestors On The Rise

□ Despite a fall in participation last week, several thousand demonstrators protested in Ukraine on Sunday, calling for President Leonid KUCHMA to resign over his alleged involvement in the murder of missing journalist Georgy GONGADZE. Lower turnout last week led some to believe that the movement against KUCHMA was waning. Demonstrators held a mock trial of KUCHMA and found him guilty in the disappearance of journalist GONGADZE, an outspoken critic of the government. Protesters also accused KUCHMA of corruption, embezzlement of state funds and attacks on opposition politicians. Smaller protests were also held in the cities of Lviv,

Dnipropetrovsk, and Odessa, each involving 100 to 600 demonstrators. Protesters accuse the authorities of intimidating others to stop them joining their ranks. KUCHMA has said he will not resign, adding that millions more voted for him than are protesting against him. According to the latest opinion poll, by pollsters *Sotsis*, KUCHMA's approval ratings slipped in February to 11 percent from 13 percent in January. Those saying they had no confidence in the President at all rose to 53 percent from 48 percent, Reuters reported.

Socialist Party leader Alexander MOROZ, on a four-day tour to the US, has predicted that KUCHMA will be driven from office within months. "The crisis will be over by the end of May or early June." He told RFE/RL that, "In any civilized country, President KUCHMA would have resigned or been forced out by now. But it is not that simple." He pointed out that while the President does not have majority of support in the country, the opposition does not have a majority of votes needed to oust him. MOROZ first made public secret tapes recordings of the President ordering the killing of GONGADZE. He warns that Ukraine will, "Either it will turn into a democracy or it will turn into a criminal dictatorship."

SOUTH CAUCASUS & CENTRAL ASIA

Baku-Ceyhan Participants Sign New MOU

□ All participating partners of the Baku-Ceyhan Main Export Pipeline project held negotiations today in Astana. Kazakhstan Energy and Mineral Resource Minister Vladimir SHKOLNIK, participating in the talks, expressed an interest in joining the project. The group signed a new protocol with Kazakhstan. The memorandum of understanding, "On the transport of oil on the route Aktau-Baku-Tbilisi-Ceyhan" should clarify the investment terms of companies, but it does not commit Kazakhstan to send any oil through the route. Support for the project from Kazakhstan is seen as vital to the viability of the route. Valekh ALESKEROV, director for foreign investment of *Azerbaijan's State Oil Company (Socar)*, told reporters after meeting, "Kazakhstan as a government is not expected to make any specific commitments on any specific volumes of oil... Like any other oil-producing country, Kazakhstan is interested in having alternative routes. As for the question of joining or not joining the project, this is a matter for companies produc-

ing oil in Kazakhstan.” He said the main purpose of today’s memorandum was to ensure Kazakhstan had appropriate legislation to allow companies producing there to invest in Baku-Ceyhan if they chose. ALESKEROV emphasized that the project needs support from companies, not governments. Two companies active in Kazakhstan, *Chevron* and *BP Amoco*, have expressed support for the line.

Georgian International Oil Corporation (GIOC) President Gia CHANTURIA pointed out that the Astana negotiations were initiated by the US, which promotes multiple pipeline routes to lessen dependence on export routes through Iran and Russia. US Special Advisor to the President Elizabeth JONES said that the US welcomes Kazakhstan’s participating in the project.

US Ambassador to Kazakhstan Richard JONES said last week, “Relations with Kazakhstan will remain a priority for the United States. Although our government has changed, our national interests remain the same.” He added that the US wants, “Kazakhstan to develop its energy resources...and have better access to world [oil] markets.” Elizabeth JONES will be joining the Georgian delegation on its return to Tbilisi, where she will meet with Georgian President Eduard SHEVARDNADZE.

OSCE To Continue Border Monitoring

□ The Organization for Security and Cooperation in Europe (OSCE) said on Wednesday its observers would probably patrol the frontier between Georgia and Russia’s rebel Chechnya region beyond the original April deadline. OSCE chairman and Romanian foreign minister Mircea GEOANA said he was satisfied with the monitoring operation, in place since January, 2000. “We have done an excellent job together with the Georgian border forces,” he said. The unarmed mission was expanded last year from 12 to 42 observers from OSCE member countries, including Russia and Georgia. GEOANA, on a two-day visit as part of a South Caucasus tour, met with Georgian President Eduard SHEVARDNADZE and

State Minister George ARSENISHVILI, who suggested that the OSCE also monitor the Daghestan section of the border.

GEOANA said the OSCE was ready to back negotiations between Georgia’s government and the breakaway regions of Abkhazia and South Ossetia. He suggested Romania host the next round of talks on South Ossetia. Another issue discussed was the creation of an Ombudsman office of Georgia for protection of rights and freedoms of the individuals. GEOANA and SHEVARDNADZE also discussed the implementation of agreements on the gradual reduction of the number and a complete withdrawal of the Russian military bases from Georgia. GEOANA said the OSCE is ready to, “assist in stabilizing the situation in Georgia and in the South Caucasus as a whole and promote the integration of the countries in the region into Europe.”

Turkmen Refinery Re-Engineered

□ German industrial giant *Mannesmann* is close to opening a \$200 million complex producing lubricants and paraffins in Turkmenistan later this year. An official from state oil and gas company *Turkmenneftegas* said the project was being financed by a 10-year loan granted by *Deutsche Bank*. Turkmenistan plans to pay off the loan with revenues from exports of the oil products. “The construction of a lubricants and paraffins complex, launched by *Mannesmann* two years ago using the infrastructure of the old Turkmenbashi oil refinery, is in its final stage. A total of 80,000 tons of these materials will be produced here this year.” The Turkmenbashi plant on the Caspian is currently undergoing large-scale reconstruction. It is estimated that the total cost will be \$1.5 billion and the work is aimed at increasing its annual processing capacity to nine million tons (180,000 barrels per day) from six million tons (120,000 bpd). Japan’s Eximbank and a private bank consortium led by Germany’s *Bayerische Landesbank* is financing the reconstruction.

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