

# DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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## RUSSIAN FEDERATION

### Politics

#### **No-Confidence Vote Scheduled**

□ The Russian State Duma has set a vote of no-confidence in the government of Prime Minister Mikhail KASYANOV for March 14<sup>th</sup>. The call for the vote came initially from the Communist Party, which complained that the economic conditions were getting worse. It gained the support from some deputies of Yabloko and centrists, Fatherland-All Russia. On Monday, deputy head of Unity Franz KLITSEVIC said his faction supported the government, but would vote for the no-confidence bid in an effort to push for early elections. He said, "it is not the government, but the Duma that is inefficient." Unity leader Boris GRYZLOV predicted that if early parliamentary elections were held, Unity would gain about 35 to 40 percent of the votes, no less, at the expense of the Communist Party. Gennady RAIKOV, from the People's Deputies faction, denounced Unity's action, calling it "a political game." Vladimir LUKIN, from the Yabloko Party, said Unity's decision was "a PR action designed to put the Communists in their place." He believes Unity announced the move on President Vladimir PUTIN's orders to squeeze out KASYANOV. LUKIN warned that Unity was taking a risk in prompting elections because conditions in Russia could change substantially in Russia by the time a vote would be held. The latest opinion polls give Unity 21 percent of support, while the Communists have their traditional 35 percent. "The crisis may end in a Communist comeback," said Alexei MITROFANOV, a deputy from the ultra-nationalist Liberal Democrats.

PUTIN can ignore an initial vote of no-confidence, which needs a simple majority in the 450-seat chamber. But if the Duma confirms the vote within three months, he would have to sack KASYANOV

or call an early parliamentary election. The Kremlin has indicated it will call an early election rather than sack the government. Either choice would upset the political stability Russia has seen under PUTIN and revive memories of the turmoil under his predecessor, the Associated Press reported.

#### **Putin Orders Up A New Foreign Policy With CIS**

□ Russian President Vladimir PUTIN has instructed the Foreign Ministry to work the direction of Russia's policy toward the Commonwealth of Independent States (CIS). Under the presidential decree, the ministry has been instructed to coordinate the activity of federal and regional bodies of power in maintaining cultural and humanitarian cooperation between Russia and CIS countries. Russian diplomats will also help Russian regions to develop cooperation with CIS administrative and territorial areas. The ministry will also develop interaction with CIS agencies, the Rus-Belarus Union state, the Eurasian Economic Community and other interstate bodies created. The decree envisages providing aid to the Ministry of Trade and Economic Development to prepare the agenda for the CIS Economic Council. In addition, the ministry will facilitate the settlement of conflicts and peacekeeping operations in the CIS, take part in working out initiatives to improve the collective security system and other issues related to military and technical cooperation with CIS countries. Russian diplomats will be instructed to protect the rights and legal interests of com-

patriots in CIS states.

### Russia Urges US To Ratify CNTBT

□ Russia has reaffirmed the importance of prompt ratification by the US of the comprehensive nuclear test ban treaty (CNTBT). Following a Vienna session of the Russia-US working group monitoring compliance with the CNTBT, the Russian Foreign Ministry on Friday circulated a statement that ratification of the treaty by the US is, "a crucial factor to the strengthening of the nuclear non-proliferation regime." The Vienna session followed up the results of joint research projects into ways of inspecting on the spot (IOS) and focused on international monitoring and confidence-building measures at large-scale chemicals explosions, the statement said. The Russian side highly evaluated two testing IOS drills held at the Russian town of Snezhinsk. Russia and the US have been monitoring respect for the CNTBT since 1996. The CNTBT was ratified by 69 countries, including Russia. It has not taken effect, despite being ratified by 14 out of 44 nuclear countries.

### Economy

Ruble = 28.66/\$1.00 (NY rate)

~~Ruble = 28.66/\$1.00 (CB rate)~~

Ruble = 26.60/1 euro (CB rate)

### Russian Forex Reserves, Money Supply

□ Russian foreign currency and gold reserves shrank to \$28.7 billion in the week to February 23<sup>rd</sup>, falling for a third week after rising to a record in the week to February 2<sup>nd</sup>, the Central Bank said. Reserves shrank \$200 million in the week to February 23<sup>rd</sup>, after falling \$500 million the previous week. Russia's reserves rose to a post-Soviet record of \$29.5 billion in the week to February 2<sup>nd</sup>. Russia's money supply shrank to 494.7 billion rubles (\$17.3 billion) in the week to February 26<sup>th</sup>. The money supply, which includes cash currency in circulation plus required reserves, contracted by 2.2 billion rubles in the week to February 26<sup>th</sup>. Russia's money supply expanded to 496.9 billion rubles (\$17.4 billion) in the week to February 19<sup>th</sup>, 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 19<sup>th</sup>, after rising by 9.4 billion rubles in the week to February 12<sup>th</sup>.

### Business

#### Gazprom Continues Supplies To Moldova

□ Russian gas monopoly *Gazprom* has promised to continue delivering gas to Moldova despite a \$12 million debt. *Gazprom* agreed to discuss a debt repayment schedule with Moldova. Moldovan Prime Minister Dumitru BRAGHIS said on Monday, "*Gazprom* warned late in February that it would suspend gas supplies to Moldova in March since only 40 percent of deliveries have been paid for since the beginning of the year." Moldova has imposed rigid sanctions on debtors and recently returned the Communists to power. **Comment:** This appears to be another example of how Russia uses energy to reward or punish a neighbor for its behavior. Moldova is given the benefit of the doubt today, but in January Georgia was punished with a gas cut off after an advance payment was received.

#### UFG Investigated For Trading Gazprom Shares

□ Russia's Interior Ministry is investigating Moscow-based brokerage *United Financial Group (UFG)* over its purchases of domestic shares of *Gazprom* for its foreign clients, *Vedomosti* reported. The probe is into allegations *UFG* broke a 1997 presidential decree stating that foreign-controlled companies cannot own *Gazprom's* domestic shares. The ministry is alleging *UFG* affiliates that have bought *Gazprom* shares in Russia were 70 percent foreign-owned, through a web of cross-shareholdings with the brokerage's Cyprus subsidiaries, the newspaper reported. The ministry said there are more than 25 such groups of companies. In a letter to *Gazprom* Chief Executive Officer Rem VYAKHIREV, the ministry said companies affiliated with *UFG* own more than 5 percent of *Gazprom*. *UFG's* founder and honorary chairman Boris FYODOROV, who represents minority shareholders on *Gazprom's* board, said *UFG* is acting lawfully. Analysts said buying local shares in this way is popular among foreign investors and *UFG* has about 80 percent of this market.

### Tuesday Tid-Bit

#### Fancy Cars For Russian Bureaucrats

□ A spokesman for the state traffic police said the number of official chauffeur-driven limousines for

top government workers rose last year by 23,500 to 605,290. Of this figure, 40,000 are foreign cars including *Audis*, *BMW*s and *Mercedes*. Russia's *Trud* newspaper said the sums spent by ministries on maintaining transport varied from as much as 20 million rubles (\$697,800) a year at the Tax Ministry to 2.2 million rubles at the Atomic Energy Ministry. "A country which is just pulling itself out of a deep crisis cannot afford such extravagance," the newspaper said. It said it would be cheaper for the state to raise the salaries of officials so they could drive their own cars, as they do in the US. Russian reports also said the number of bureaucrats had grown in Russia since Soviet days, despite a fall in population after the break up of the country.

### EUROPEAN REPUBLICS

#### Ukraine Students Continue Tent City Protest

□ Ukrainian students chanting, "KUCHMA OUT!" erected five new tents in a park which is home to a statue of national hero Taras SHEVCHENKO, a 19<sup>th</sup> Century poet who is Ukraine's most powerful symbol of resistance against oppression. Police, which dismantled 50 tents on Thursday and arrested more than 40 protesters, stood quietly by and took no action. The demonstrators are calling for President Leonid KUCHMA to step down following a scandal sparked by the alleged murder of critical Internet journalist Georgy GONGADZE. KUCHMA is due to visit the park Friday to lay flowers at the statue to commemorate SHEVCHENKO's birthday, a significant annual ritual in Ukraine's celebrations of its decade of independence from the former Soviet Union. Yuri LUTSENKO, one of the leaders of the Ukraine Without KUCHMA movement, told reporters the new camp would spearhead further opposition protests. The US and the European Union (EU) have expressed concern about the case, and more generally about press freedom and human rights in Ukraine. The EU is exceptionally keen to help stabilize Ukraine, which has a population of 50 million and will share a long border with the 15-nation bloc after the accession of Poland and other former communist states over the next few years. Foreign Minister Anna LINDH of Sweden, which holds the rotating six-month EU presidency said, "We are very worried about developments (regarding) political freedom, media freedom and the specific case we are seeing with the disappeared journalist"

#### Ukraine Predicts Year-End Forex Reserves

□ Ukraine's Central Bank expects foreign currency and gold reserves to be \$1.5 billion to \$1.7 billion by year's end, *Biznes Ukrainian* reported, citing Sergei YAREMENKO, head of the Central Bank's currency department. The size of reserves will depend on whether the International Monetary Fund (IMF) continues lending to the country, YAREMENKO said. The IMF will go on lending to Ukraine under a \$2.6 billion, three-year loan program. There are no significant problems between the Central Bank and the IMF, while the problems between the government and the Fund will be solved at some stage, he said. Ukraine's currency and gold reserves recently totaled about \$1.7 billion, the Central Bank said. The country has been using its reserves to pay back foreign debts. It owes about \$1.5 billion in foreign debts this year.

#### Ukrnafta Seeks US Ex-Im Bank Loan

□ Ukraine's monopoly oil producer, *Ukrnafta*, is seeking \$100 million loan from the US Export-Import Bank, according to *Ukrnafta* board chairman Oleg SALMIN. The company needs the loan to buy new equipment and finance its investment programs. It also wants to borrow from an Israeli bank, Bloomberg News reported. *Ukrnafta* said its "contracts to sell oil are stable and it has stable revenue," which would allow it to repay the debt, SALMIN said. Ukraine's economy began to grow in late 1999, after a decade of decline. The growing economy is boosting demand for oil and other fuel on domestic market, helping *Ukrnafta* to increase domestic extraction of oil.

### SOUTH CAUCASUS & CENTRAL ASIA

#### Georgia-Paris Club Reach Favorable Agmt.

□ Today at the Paris Club meeting, a favorable agreement for Georgia was reached. This includes the insertion of a "good will" clause, which would support Georgia if it were in a financial predicament. Georgia received a contingent provision, which would provide a third-year rescheduling of the debt if a balance of payment gap was found to exist. In order for Georgia to receive this additional year, Georgia must be on track with the IMF program and the IMF must make a determination that Georgia has a financial need. The rate of the overall debt is 4 percent. The Georgian side sees this decision as

positive and helpful in keeping the reform process going forward. Georgia's debt to the Paris Club is \$2.4 billion, which includes a \$185 million debt to Russia. The Georgian delegation was led by Finance Minister Zurab NOGADELI.

### Georgian-Azeri Border Flare Up

□ A confrontation between a Georgian border guard and Fuzuli HUSEYNOV, a Georgian citizen of Azeri origin, at the Red Bridge checkpoint on the Georgian-Azeri border led to the death of one, the burning of the Georgian border guard post, and general chaos. After declining to pay a fee on the petro he was importing from Azerbaijan, HUSEYNOV was killed by indirect fire as he attempted to gain control of the guard's machine gun. An angry mob of Azeri set fire to a border guard post with 10 officers inside in retaliation. Russia's independent *NTV Television* showed flames engulfing the buildings used by the guards. Commander of the Georgian Border Guards Valery CHKHEIDZE arrived on the scene to calm the situation with Commander of the Shamkir Frontier Detachment of Azerbaijan Colonel Lieutenant HAGVERDIYEV, *Rustavi-2 Television* reported. The Georgian Prosecutor's office has opened up a case and Azeri officials are cooperating with investigation requests. The border guard is being held, until the investigation is concluded. Both countries are working together to bring this situation to a successful conclusion. CHKHEIDZE deeply regretted the incident.

### Visa Regime Changes For The Better

□ Georgia and Russia on March 1<sup>st</sup> signed a protocol of a "compromising nature," concerning the mutual trips of citizens of both countries. Georgian President Eduard SHEVARDNADZE on Monday explained that the signed document would facilitate to a certain measure the procedure of obtaining visas. At the same time, he described as "a historical anomaly" the existence of a visa regime between Georgia and Russia. The protocol will allow citizens of Georgia, who live in Russia or are temporarily staying there, to obtain a visa to prolong their stay

in the Russia without having to go to Tbilisi. In turn, Russian citizens living in Georgia including servicemen, will be able to get visas directly in Georgia in order to prolong their stay.

### Rus-Armenia Defense Relations Develop

□ A group of heads of enterprises of the Russian defense industry complex arrived in Yerevan on Monday to discuss prospects for the development of long-term cooperation with Armenian industrial enterprises. The Russian delegation will visit enterprises in Armenia to establish the possibility of placing orders for various equipment, according to chairman of Russia's Armenians Union Ara ABRAMYAN, who organized the visit. Vladimir SIMONOV, director-general of the Russian control systems agency, said, "We have restored close industrial ties with Belarus and plan to resume such ties with other ex-USSR republics, above all Armenia." SIMONOV said the Russian delegation brought a draft memorandum some of the proposals of which are to be discussed during a meeting today with the Armenian Prime Minister and heads of Armenian enterprises. "This will be a much broader move than placing orders, but will be based, undoubtedly, on the economic effect and market relations," SIMONOV said.

### Japan, German Firms To Build Turkmen Plant

□ Japan's *Marubeni Corp*, *Japan Gasoline Corp (JGC)*, and Germany's *Linde* have won a tender to build a \$500 million gas-processing plant in Turkmenistan. An official from Turkmenistan's Oil, Gas, Industry and Mineral Resources Ministry told Reuters that the consortium would start building the plant near the town of Gazachak in eastern Turkmenistan next year. Construction is expected to last for three years. The plant, built with foreign loans, will produce annually 200,000 tons of polyethylene. The official said the loans would be paid off in polyethylene and mineral resources. He gave no further detail of the loans.

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