

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

INTERCON INTERNATIONAL USA, INC., 725 15th STREET, N.W., SUITE 903,
WASHINGTON, D.C. 20005 -- 202-347-2624 -- FAX 202-347-4631

Daily intelligence briefing on the
former Soviet Union

Thursday, April 12, 2001

Published every business day
since 1993

RUSSIAN FEDERATION

Politics

Putin's Power Base Consolidates

• Unity Party, the main pro-Kremlin faction, and the Fatherland-All Russia (OVR) bloc in the Russian State Duma have announced plans to merge, forming the largest single group in the parliament. The merger would give the new entity at least 132 seats in the 450-seat house. The Communists with their staunch allies, the Agrarian group, would be second-largest force with 127 seats. With the support Russian President Vladimir PUTIN has usually enjoyed from other centrist and right-leaning blocs, numbering around 150 deputies, a merger virtually guarantees the President the majority of 226 votes needed for most bills, Reuters reported. Kremlin spokesman Alexei GROMOV quoted PUTIN as welcoming the news, saying it was an important step in forming Russia's political system and would help in consolidating society. PUTIN has already proposed laws to bring what the Kremlin sees as a need for more order among political parties, effectively cut the number of groupings. Moscow Mayor Yuri LUZHKOVA said, "A new era is beginning in the history of Russia. We have held consultations and agreed we should lead our groups to the formation of a single political party." LUZHKOVA told the news conference a congress on formally merging with Unity would be held in November. Unity leader Sergei SHOIGU, a close PUTIN ally and also emergencies minister in the government, said LUZHKOVA would head the committee that would work on merging the two groups. The merger would also bring two key political figures and once presidential hopefuls, LUZHKOVA and respected former Prime Minister Yevgeny PRIMAKOV, into the Kremlin camp.

Borodin Granted Bail In Geneva

• A Geneva court today granted bail to Rus-Belarus Union State Secretary and former top Kremlin official in charge of state property Pavel BORODIN in the amount of 5 million Swiss Francs or \$3.5 million, the Associated Press reported. The court placed no restrictions on BORODIN's movements once the bond has been paid, but ruled that he must be present whenever required by Geneva authorities. He will be released from prison after bail is paid to the cash office of the Geneva Justice Palace. BORODIN has until July 10th to come up with the money. BORODIN was charged with money laundering and membership in a criminal organization. President Vladimir PUTIN and other top Russian officials have appealed to both US and Swiss authorities on BORODIN's behalf. The charges stem from accusations that he received some \$30 million in kickbacks from two Swiss companies, *Mercata* and *Mabetex*, had lucrative contracts to renovate Kremlin buildings. The funds were allegedly laundered in Switzerland by a ring of BORODIN family members and associates. The court rejected the criminal organization charge, stating that lawyers had failed to prove a systemic conspiracy to launder money. It also noted that the money laundering charge would be difficult to prove because Russia refused to provide evidence of corruption. BORODIN's lawyer said that he would have to answer to the money laundering charges. Russian authorities dropped their own case against BORODIN in December.

Russia Seeks Aid To Scrap Chemical Weapons

• While visiting

The Hague, Russian Foreign Minister Igor IVANOV called for international assistance to help Russia meet deadlines for destroying its chemical weapons stockpile. He said that Russia would have "serious difficulties" in meeting the Organization for the Prohibition of Chemical Weapons (OPCW) deadlines, which require it to get rid of 20 percent of its stockpile by April, 2002. After meeting OPCW Director General Jose BUSTANI, IVANOV said, "We plan to considerably increase the budget... but I have to tell you frankly that the acuteness of the problem in funding Russia's chemical weapon destruction is still present." Reuters reported that the Foreign Minister could not state how much foreign aid was needed. Russia inherited the 40,000-ton stockpile from the former Soviet Union and can ill afford the \$8 billion to \$10 billion needed to destroy it. Russia's federal budget for chemical weapons destruction for 2001 is about \$40 million, enough to finish building a destruction plant and begin start-up and testing operations later this year. IVANOV said, "I'm convinced that with joint efforts we will be able to achieve our final goal —ridding humanity of chemical weapons."

Economy

<p>Ruble = 28.86/\$1.00 (NY rate) Ruble = 28.85/\$1.00 (CB rate) Ruble = 25.58/1 euro (CB rate)</p>

CB To Buy New Sberbank Shares

- Russia's Central Bank said it will buy new shares in *Sberbank* to preserve its current holdings and control over the country's state savings bank. Last week, the Central Bank said it would cut its stake to less than 50 percent. The share sale represents about 37.5 percent of *Sberbank's* existing equity. The Central Bank is required by law to have at least 50 percent plus one share in *Sberbank*, which held 87 percent of all Russian private deposits in 1999. "In making the decision on the number of new shares to be bought...the Bank of Russia based its decision on the existing legislation," the Central Bank said in a statement. The Central Bank "made a decision allowing itself to keep the existing stake... in *Sberbank*." *Sberbank* says it must sell shares to meet a Central Bank rule that a Bank's equity must be worth at least 10 percent of its assets. A group of the bank's minority shareholders sued the bank earlier this month to protest the sale, which

they say will dilute their stakes. The shareholders sued after *Sberbank* rejected their request for an extraordinary meeting to replace President Andrei KAZMIN, saying they don't have the necessary 10 percent of shares to call the meeting.

Business

Gazprom Rejects Turner's Offer

- The New York Times reported that *Gazprom* has rejected an offer by a consortium of investors led by CNN founder Ted TURNER for an *NTV* stake, stating that it is not enough and that the group is refusing to recognize *Gazprom's* takeover of *NTV's* board. TURNER wants to pay about \$61 million for the 19 percent stake, put up by Russian media group *Media Most*, to cover a \$261.5 million loan to *NTV* from *Credit Suisse First Boston* due July 10th. TURNER doesn't want to assume the remainder of the debt. He also plans to buy an 11 percent stake from *Media Most* founder Vladimir GUSINSKY. *Gazprom Media's* Alfred KOKH said, "There are a huge amount of questions they still need to answer. I won't sit behind a negotiating table until my management is installed in the company." Most *NTV* employees have refused to cede control of the station to *Gazprom*, which says it only wants to protect more than \$1 billion it invested in *NTV* and associated companies. *NTV* says the 38 percent state-owned *Gazprom* is acting to stifle criticism of the President and his government.

Rusky Alyuminy Negotiates New Loan

- Russia's largest aluminum group, *Rusky Alyuminy*, is in talks with Western banks on a syndicated loan for \$125 million, Chief Executive Oleg DERIPASKA said on Tuesday. DERIPASKA said five banks were involved in negotiations. "We have syndication [of loans] going on constantly. There is a loan syndication taking place, \$125 million, five banks with \$25 million each," he told Reuters. DERIPASKA said *Rusky Alyuminy* had three major credit lines in place, but he gave no details. *Rusky Alyuminy*, formed last year by *Sibirsky Alyuminy* and shareholders in *Sibneft Oil Company*, controls more than 70 percent of Russia's primary aluminum output. The company produced 2,136,445 tons of primary aluminum last year, up 2.4 percent from 1999. DERIPASKA said foreign credits were needed for export operations. "It is not connected with our development program or any expansion, which we