

# DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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## RUSSIAN FEDERATION

### Politics

#### **Putin Visits Chechnya, Following Attack**

- President Vladimir PUTIN made a surprise visit to Chechnya, reinforcing the Kremlin's commitment to fighting Chechen rebels to the end. He visited the site where 84 Russian troops were wiped out in an ambush by Chechen rebels in March, 2000, state-run *RTR* television said. The President inspected a special forces unit near the town of Khatuni and moved on to a meeting with officials at the federal base at Khankala east of the capital, Grozny. Russia will use all necessary force to eliminate the rebels, PUTIN said, adding that troops being withdrawn from the republic are only superfluous units. PUTIN praised the troops for doing, "a good job in accordance with the assignments they receive from the command. I am satisfied." The purpose of his visit was to discuss the financing of federal forces in the region. "In fact, one of the problems which we plan to deal with today is precisely financing, material support, and the exact payment of combat pay," he said. Some of the soldiers who signed up for Chechnya on a contract basis have complained they didn't get paid.

In Grozny, deputy city prosecutor Vladimir MOROZ was shot to death on Saturday afternoon, when returning from investigating the killing of three Russian women at a city market earlier in the day, Interfax said. Also Saturday, rebels claimed responsibility for the death Thursday of Adam DENIYEV, a Chechen who was deputy head of the pro-Russian civilian administration. DENIYEV was killed by an explosion as he taped a television broadcast in his home village of Avtury. A statement from a spokesman for rebel President Aslan MASKHADOV said DENIYEV was killed for cooperating with Russia. DENIYEV was a special representative for head of

the Chechen administration Akhmad KADYROV to the Middle East and Africa as well as being one of his deputies. He also was a presidential candidate in the 1997 Chechen elections. KADYROV said Sunday that PUTIN had made it clear to military commanders and local leaders in Chechnya that there had been no possibility to hold any talks with the MASKHADOV and his followers. The President also reaffirmed the course to restore the constitutional system in Chechnya, and to unite the breakaway republic with the Russian legal system.

#### **Borodin Returns To Moscow**

- Pavel BORODIN, state secretary of the Russia and Belarus Union, returned to Moscow from Geneva Friday night after three months of prison life in Switzerland and the US for charges of money laundering, bribe taking, and membership in organized crime groups. BORODIN thanked Russian President Vladimir PUTIN and Belarus President Alexander LUKASHENKO for their support. First arrested in New York on January 18<sup>th</sup>, under a Swiss warrant, BORODIN was held without bail until he until he was extradited to Switzerland on April 7<sup>th</sup>. Swiss prosecutors charge BORODIN, 54, with taking \$30 million in kickbacks from two Swiss firms, *Mercata* and *Mabetex*, which won lucrative contracts to renovate government buildings, including part of the Kremlin. At the time, he served as YELTSIN's property manager, a job in which he oversaw an empire said to be worth several hundred million dollars. On April 12, the Geneva tribunal agreed to release

BORODIN on bail worthy of five million Swiss francs (\$3 million). The court threw out a charge against BORODIN of belonging to a criminal organization charge, saying investigators had failed to prove there had been a systematic conspiracy to launder the money in Switzerland. Geneva's chief prosecutor Bernard BERTOSSA said that BORODIN could return to Russia, but would have to come back to Geneva, if he is summoned by an investigating officer. BERTOSSA said he was not optimistic that BORODIN would show up for more questioning, but said it was up to the Russian people to protest if the bail is not returned to their country. "If the Russian people accept that their bureaucrats allow persons to run around free who put what comes into their fingers into their own pockets, what can I do? People there must protest," BERTOSSA said.

### Economy

**Ruble = 28.86/\$1.00 (NY rate)**

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**Ruble = 25.55/1 euro (CB rate)**

### March Industrial Output Rises

• The State Statistics Committee said Russia's March industrial output rose at a faster annual rate than in February as production of fuels, chemicals and microbiological goods increased. March output rose at 3.6 percent from a year ago, after rising 0.8 percent in February, the slowest annual pace since the 1998 financial crisis in February, and 5.3 percent in January from January, 2000, the State Statistics Committee said. Industrial output rose at 3.3 percent in the first quarter of 2001 from the same quarter a year earlier. Russia's industrial output will slow to 4 percent this year from 9 percent in 2000, the government said in a report received by Bloomberg. Russia's main challenge is to introduce reforms to keep the economy growing after it expanded the past two years, analysts said. Microbiological producers output rose by 71.2 percent in March from a year ago, while fuel output rose by 5.7 percent from March, 2000. Production of ferrous metals fell by 0.8 percent, medical output fell by 20 percent and production of building materials declined 1.1 percent from March, 2000. Growth over the past two years was fuelled by high prices for the crude oil, natural gas and metals that make up half Russia's exports combined with the effects of the 1998 devaluation, which helped domestic producers by

making imports more expensive. Industrial output grew by 11.9 percent in the first quarter of 2000, compared with the same period in 1999.

### Business

#### **NTV Raided, Journalists Quit**

• Under the instruction of Boris JORDAN, *Gazprom's* chosen General Director of *NTV*, security guards raided *NTV's* station gaining control of the offices early Saturday morning. Guards ordered *NTV* reporters and staff to sign a letter of commitment to the new management or resign. As many as 85 percent of *NTV's* 1,200 resigned and pledged to continue their independent reporting at another station. Nonetheless, JORDAN claimed that there is tremendous energy among *NTV* ranks to build a television station with "true" independence. He said, "I will do an audit with *Arthur Anderson* and *Price Waterhouse [PricewaterhouseCoopers]* and I will publish it for the whole world to show everyone what was going on in this company. Now we will have free speech, now we will have independence of the media." Tatyana BLINOVA, a former *NTV* spokeswoman who quit after the raid said, "The raid shows the real aim: the powers that be want to place *NTV* under control, because we criticize the authorities, we criticize the war in Chechnya, we speak the truth... We talk too much: we uncover corruption, we criticize the authorities, and they don't want to hear it—they want to stop it." Ousted *NTV* board member Igor MALASHENKO said *Gazprom's* takeover was part of a "creeping coup" against democracy. Liberals see the brawl over *NTV* as a test of President Vladimir PUTIN's commitment to media freedom, claiming that the Kremlin is trying to silence a vocal critic. PUTIN says it is a commercial dispute and refuses to step in. *Gazprom* counters by saying *NTV* is a financial disaster and that it simply wants to recoup its investment, nearly \$1 billion invested in *NTV* or affiliated companies.

The massive resignation of *NTV* staff appears certain to undermine a bid by *CNN*-founder Ted TURNER to buy 30 percent of *NTV* and keep it independent. TURNER spokesman Brian FAW told *Vedomosti*, "We are very disturbed by the forceful seizure of *NTV* and we are now reassessing our position." The *NTV's* renegade staff broadcast their rival version of *NTV's* news program "Sevodnya