

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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RUSSIAN FEDERATION

Politics

Thousands Rally In Support Of NTV

• Nearly 20,000 Russians gathered in Moscow to attend a combination rock concert and political rally to speak out in favor of press freedoms and to defend NTV, the only major Russian television station outside the control of the Kremlin. The state-controlled *Gazprom* has been trying for months to seize control of NTV from *Media Most* chairman Vladimir GUSINSKY. Media Most claims that the Kremlin is trying to suppress their reporting because it is critical of Russian President Vladimir PUTIN and the military offensive in Chechnya. Demonstrators held banners defending the network and denouncing PUTIN. NTV carried parts of the rally live on its news programs, while the two state-funded channels, *ORT* and *RTR*, both ignored the rally. Politicians, athletes, artists and musicians addressed the crowd, arguing that PUTIN was responsible for suppressing the freedom of the press. Grigory YAVLINSKY, head of the liberal Yabloko party, told the crowd, "We know why NTV is being destroyed. So that we will never know about millions of dollars taken out of the country...about how a war is being conducted with slogans of fighting terrorism and corruption." He said without the free voice of NTV, the government can say what it wants, "so that they can tell us how they fight terrorism, so that they can lie about how they fight corruption...we know that it is not a fight against terrorism [in Chechnya], but a full-scale war, senseless and cruel. We know it is not a fight against corruption, but a fight against freedom of speech," the Associated Press reported. Alexei SIMONOV, a prominent journalist and rally organizer, said the people came to hear rock music that was once censored and to hear speeches that were impossible under Soviet times.

Economy

Russia Seeks No Special WTO Privileges

• Russia continued its interest in joining the World Trade Organization (WTO) during talks held on Friday between Russian President Vladimir PUTIN, Prime Minister Mikhail KASYANOV, and WTO Director-General Mike MOORE. PUTIN said that Russia is seeking no special privileges, but wanted an understanding that the nation was still undergoing economic restructuring. Russia has estimated that it would need a transition period of up to seven years to comply with WTO commitments. PUTIN ruled out accepting "excessive requirements." KASYANOV said earlier that the government saw membership of the global trading system as a priority, but would only join the WTO if it can protect its economic interests. He also pointed out that Russia's economic growth could not be sustained without free access to world markets, but the WTO would have to make allowances for the needs of Russia's developing economy and ensure fair treatment of its exporters. "Without this, accession to the WTO would make no sense. There cannot be accession for the sake of accession," he said. MOORE said, "The WTO will not be a full global organization with out Russia as a fully-fledged member." He hoped that Russia would join in the next rounds of global trade negotiations as a full member. Trade and Economic Development Minister German GREF said the government planned to submit to parliament a raft of new legislation on liberalization of the trade regime as part of its efforts to speed up the entry process. Russia and the

WTO have yet to agree on the most difficult issues of domestic legislation, including intellectual property rights, customs and tax regulations.

March PMI Hits Three-Month High

- Russia's manufacturing economy expanded for the 28th straight month to hit a three-month high in March, and the overall growth rate also a modest pick up, *Moscow Narodny Bank* Purchasing Managers' Index (PMI) showed today. The seasonally adjusted PMI, intended to give a snapshot of business conditions, registered 53.2 after 50.9 in February. March's rise was the first after five months of decline. *Moscow Narodny* said the PMI remained down on levels seen throughout almost all of 1999 and 2000. PMI readings above 50 signals an increase in the manufacturing economy on the previous month, while readings below 50 signal a contraction, Reuters reported. "This month's PMI data is consistent with our expectations of easing though sustained real GDP [gross domestic product] growth through 2001," *Moscow Narodny Group* Economist Paul FORREST said. "Although there remain significant constraints on maximizing the Russian economy's output potential, growth is still likely to be in the region of four percent in real terms this year." *Moscow Narodny* said the stronger manufacturing expansion in March had largely been driven by faster growth in output, new orders and employment.

Ruble = 28.74/\$1.00 (NY rate)

Ruble = 28.86/\$1.00 (CB rate)

Ruble = 25.45/1 euro (CB rate)

Business

Court Bars NTV Shareholders' Meeting

- Media Most* chairman Vladimir GUSINSKY received a minor reprieve today when a Moscow court barred an NTV shareholders' meeting called by state-dominated *Gazprom*, just 24 hours before it was scheduled to take place. NTV spokesman Dmitry OSTALSKY quoted the district court judgment, "Guided by article 133, 134 and 136 of the civil procedural code the court has decided: to ban...the holding of an extraordinary shareholders' meeting of NTV on April 3rd." *Gazprom* had been in the position to take control at the extraordinary general shareholders' meeting and stuff the board with supporters. With 46 percent of the station's

shares, *Gazprom* said it had gained a de facto majority holding in NTV, as 19 percent of the 49 percent stake held by GUSINSKY had been pledged as collateral for loans maturing this summer. Another Russian court has frozen the 19 percent share in a separate but related legal dispute. The power to exercise the voting shares of the "frozen" holding remains a moot point which is due to be aired in court next month, Reuters reported. GUSINSKY, in Spain fighting extradition to Russia on fraud charges, says *Gazprom* is acting as a tool of the Kremlin to suppress the independent media. He says NTV and his *Media Most* empire are being punished for criticizing President Vladimir PUTIN and his administration, charges both *Gazprom* and the Kremlin deny.

On Thursday, a Moscow court threw out a bid by GUSINSKY to block the April 3rd NTV shareholders' meeting. In a statement, *Media Most* said it was "powerless in the face of the arbitrariness of the Russian legal process," but vowed to "fight to the end" to defend its rights. London's High Court, meanwhile, ruled it could not hear a separate challenge by GUSINSKY to decide who controls the frozen 19 percent stake, used as loan collateral by *Media Most*.

EU Ends Gazprom Anti-Trust Case

- The European Commission (EC) is wrapping up a year-long investigation into whether gas contracts between *Gazprom* and three Italian suppliers break European Union (EU) antitrust regulations on fair competition, the European Commission said Tuesday. The Commission, which acts as the EU's anti-monopoly watchdog, could decide within weeks whether to object to clauses in the contracts that limit the sale of Russian gas in Italy to the three companies—*Enel*, *Snam*, and *Edison*—while forbidding them from reselling the gas to third countries. *Gazprom* provides 20 billion cubic meters (bcm) of the 60 bcm of gas that Italy consumes each year. About 750 gas suppliers operate in Italy. EC spokeswoman Amelia TORRES said the Commission would decide shortly if the clauses in the contracts are illegal and would then debate what action to take. The Commission could fine each of the Italian companies up to 10 percent of their global turnover. EU Competition Commissioner Mario MONTI said late last week that he believed some of the clauses in the contracts breach Eu-