

# DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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## RUSSIAN FEDERATION

### Politics

#### **Chechen Gunmen Release Hostages**

• After hours of negotiations with Turkish Interior Minister Sadettin TANTAN, 13 pro-Chechen gunmen surrendered to authorities, handing over their pump rifles and automatic guns and freeing an estimated 120 hostages. Hundreds of police backed with armored cars flanked the hotel as officials negotiated with the terrorists. Istanbul Police Chief Kazin ABANOZ said the gunmen are being held at police headquarters for questioning. At approximately 1 am in Istanbul, the Chechen gunmen stormed the *Swissotel* and demanded that the US condemn Russia's war against separatist fighters in Chechnya, CNN reported. The *Swissotel* is favored by business visitors and wealthier tourists. According to a statement released by the gunmen before they surrendered, the hostages were taken due to, "the bloody events in the Caucasus." The gunmen identified themselves as supporters of Mohammed TOKCAN, a Turkish citizen of Chechen descent who was jailed for hijacking a Black Sea ferry in 1996. The Chechen representative office in Turkey released a statement condemning events at the *Swissotel*. "The action is against international law and the official Chechen government condemns it strongly. We never condone these kinds of attacks." Even before the gunmen surrendered, the Russian Foreign Ministry said, "We vehemently condemn this barbaric act. The terrorists must free the hostages immediately... We call on Turkish authorities to take all measures to settle this dangerous situation and punish the culprits." Although the standoff ended in less than 12 hours, it may force authorities to review the security policy towards the large number of Caucasian and more specifically Chechen groups operating in Turkey, Reuters reported. Turkey has tried to avoid any appearance in Russian eyes that

it is giving aid to militants fighting Russian troops. Last month, hijackers calling for an end to Russia's actions in Chechnya seized an *Aeroflot* passenger plane and forced it to land in Saudi Arabia.

#### **Russians Uncover Mass Grave**

• A special Russian reconnaissance unit has discovered a mass grave, containing the remains of at least 18 people and some other body parts in southern Chechnya, officials said Sunday. According to Kremlin spokesman Sergei YASTRZHEMBSKY, the victims appeared to have been killed in 1996 or 1997. The border guard reconnaissance unit discovered the remains Thursday while searching for guerrillas near the village of Gizikhoi in the Itum-Kale district, just north of the border with Georgia. The bodies were exhumed Saturday. All appeared to have been shot in the head and then beheaded, the Associated Press reported. The Interfax news agency quoted Chechnya's pro-Moscow Press Minister Vasily VASILENKO as saying the victims were believed to be Georgian construction workers who had been kidnapped in 1995, while building a road through the rugged region. The head of the Itum-Kale regional administration, Edilbek UZUYEV, said the bodies appeared to have been removed from other burial places and recently cast together in the common grave. Officials were also looking into the possibility that body parts from an estimated 30 torture victims were buried in the grave.

#### **Russian Condemns UN Resolution**

• The UN Human Rights Commission, a

53-nation rights watchdog group, in a vote of 22 to 12 with 19 abstentions passed a resolution, censuring Russia for alleged abuses in Chechnya. Censure by the UN body brings no penalties but draws international attention. The Russian Foreign Ministry released a statement saying, "Russia does not consider itself bound by the provisions of the un-objective and biased resolution." It accused the US of influencing the UN to take a hard line against it. The resolution condemned Russia for "attacks against civilians," breaches of international law, summary executions and "forced disappearances." It also criticized the Chechen rebels, who are accused of torture, taking hostages and the indiscriminate use of land mines. UN Secretary General Kofi ANNAN is scheduled to meet with President Vladimir PUTIN, Foreign Minister Igor IVANOV and other officials on May 15<sup>th</sup>.

Meanwhile, a Russian legislator said a prominent Russian human rights worker who has spoken against the war in Chechnya was shot and seriously wounded in the rebel region. Viktor POPKOV was wounded Friday when unidentified gunmen fired at a car carrying him and a doctor, said Yuri SHCHEKOKHIKHIN, the deputy chairman of the Russian parliament's committee on security.

### Economy

<p><b>Ruble = 28.88/\$1.00 (NY rate)</b>  <b>Ruble = 28.86/\$1.00 (CB rate)</b>  <b>Ruble = 26.02/1 euro (CB rate)</b></p>
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### **Russians Allowed To Buy Foreign Securities**

- The Russian State Duma has passed a bill to allow citizens to buy foreign securities without Central Bank authorization, Kommersant Daily reported. The bill, which must pass the Federation Council before the president can sign it into law, also will allow domestic construction companies to have foreign accounts and allow Russians to wire cash to pay for services overseas, such as funeral charges or conference participation fees. It will allow machinery-building companies to delay mandatory repatriation of hard currency earnings for up to three years, compared with the current requirement they do so within 90 days. The Russian Central Bank criticized the Duma's move to allow citizens to wire up to \$75,000 a year abroad to buy foreign equity. Central Bank Chairman Viktor GERASHCHENKO

called on the government to lobby the Federation Council to reject the bill, saying it could increase capital outflows from Russia. Russian exporters must repatriate and sell for rubles 75 percent of their hard currency earnings. The country receives about 50 percent of its hard currency income from oil, gas and metals exports. As oil and gas prices stay high for the second year Russia's hard currency reserves rose to record high \$30 billion, forcing the Central Bank to increase the money supply and accelerating inflation, which reached 20.2 percent last year, Bloomberg News reported.

### **Russia To Make IMF Payment**

- Russia will pay \$117 million to the International Monetary Fund (IMF) on Tuesday, according to the Finance Ministry. The payment will consist of 78.3 million euro and 44 million Canadian dollars. Under a payment schedule, published by the IMF, Russia is due to pay 89,856,250 of Special Drawing Rights (SDR) to the Fund on April 24<sup>th</sup>. Russia's next payment to the IMF is due on May 2<sup>nd</sup>, when Moscow is to pay 19,468,867 SDRs (about \$25 million). On May 7<sup>th</sup>, Russia is scheduled to pay 104,997,169 SDRs to the IMF. The May payments are likely to be rescheduled because they fall on holidays in Russia.

### Business

### **Zil-Venture To Build Cars In Russia**

- *Zil Auto Plant*, a Russian maker of trucks and limousines, and *Venture Industries Inc.*, a closely held US auto components maker, agreed on a \$250 million plan to build cars and engines in Russia. *Venture* has designed a low-cost family car that will be built at *Zil's* Moscow factory, Bloomberg News reported. The companies plan to build 150,000 cars and 300,000 engines a year, with production starting in 2004. *Australia's Orbital Engine Corp.* licensed the engines. *Zil* and *Venture* haven't mass-produced autos before. They are hoping future economic growth in Russia will boost demand for cars from the country's 150 million citizens. Larry WINGET, *Venture's* founder and president, recently signed a contract with *Zil* General Director Valery NOSOV and Yuri LUZHKOVA, Moscow's mayor and *Zil's* majority shareholder.