

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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RUSSIAN FEDERATION

Politics

US-Russian Relations: Gorbachev Optimistic

• On Monday, US President George W. BUSH met with former Soviet President Mikhail GORBACHEV at the White House. Despite being on a private visit to the US, GORBACHEV conveyed to BUSH "words of greeting" from Russian President Vladimir PUTIN and "something else." The former President said that BUSH, "wants to meet the Russian President and establish a personal contact with him," as soon as possible. "He is very much interested and hopes that our relations will evolve in a good climate of partnership and cooperation," GORBACHEV said. BUSH and GORBACHEV discussed the development of bilateral relations, economic cooperation, and combating corruption. Following the talks, GORBACHEV said, "I feel even more optimistic," about US-Russian relations. GORBACHEV also met with the US President's National Security Adviser Condoleezza RICE and Secretary of State Colin POWELL. "We have many areas in which we have disagreements. But because we are committed to a better future for our citizens and a better future for the world... we will be working very closely together on security issues, trade issues, many other issues," POWELL said. Many analysts say US-Russian relations are at their worst since the 1991 Soviet collapse, the Associated Press reported. Russia has denounced BUSH's commitment to do away with a landmark arms control treaty and develop a missile defense system. Other disputes include Russia's nuclear energy and weapons deals with Iran, a spy scandal that resulted in the tit-for-tat expulsions of Russian and American diplomats, Russia's actions in Chechnya, and the suppression of an independent media. POWELL and Russian Foreign Minister Igor IVANOV, due in Washington May 18th, will be preparing for BUSH's first summit

with PUTIN in July.

Economy

Gref Says Economy Is Favorable For Reforms

• Russian Economic Development and Trade Minister German GREF said that Russia's economic situation has reached a favorable stage, making it possible to implement reforms. The government has prepared a set of bills for the radical improvement of the investment climate and spurring on of the economic reforms, he said. These are the land code and bills on lowering the revenue tax and de-bureaucratization of the economy. Turnover taxes on enterprises will be annulled starting from January 1, 2003. GREF noted that the government hopes to crackdown on corruption. He said that measures taken in 2000 inflicted \$3 billion losses on shadow businesses, and "the figure will increase." The gross domestic product (GDP) growth for 2002 to 2004 is forecasted at 3 percent to 4 percent, GREF said. The government aims at the sustained economic growth. Investments in fixed capital will be 5 percent to 7 percent up every year, he said. GREF made the statement at the annual conference of the European Bank for Reconstruction and Development (EBRD) on Sunday.

Russian Oil Extraction For 2001

• Russian First Deputy Energy Minister Ivan MATLASHOV on Friday said Russia plans to extract 83.5 million tons of oil in the second quarter of 2001.

In the first quarter of this year, Russia extracted 82.4 million tons of oil. At the same time, Russia will export less oil in the second quarter than it did in the first three months, MATLASHOV said. He recalled that it is planned to export 28 million tons of Russian oil to countries outside the Commonwealth of Independent States (CIS) this year. In the first quarter, Russia exported 31.6 million tons of its own oil. MATLASHOV stressed that Russia hopes oil prices will be maintained at an acceptable range of \$24 to \$27 dollars per barrel. In addition, he emphasized that to supply the domestic market will remain a priority for Russia.

<p>Ruble = 28.84/\$1.00 (NY rate) Ruble = 28.88/\$1.00 (CB rate) Ruble = 25.92/1 euro (CB rate)</p>
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Business

New Warrant For Gusinsky Issued

- Russia's Prosecutor General issued a new international arrest warrant for *Media Most* Chairman Vladimir GUSINSKY through Interpol. Russia issued a new warrant for GUSINSKY after money laundering charges were brought against him, said Leonid TROSHIN, a spokesman for the Prosecutor General. A statement released by GUSINSKY's lawyers in Madrid dismissed the new allegation as "fictitious." "This order represents a use of the Interpol and the Spanish justice system for a purpose which the courts have already turned down, as well as a flagrant mockery of an international treaty," the statement said. GUSINSKY's Spanish attorney, Domingo PLAZAS, said there was no evidence supporting the new charge. "It's definitely a maneuver aimed clearly at starting off a similar proceeding as the former extradition request," he said. Monday, the Spanish High Court said GUSINSKY would be reimbursed for the \$5.4 million he paid as bail to leave jail after his arrest. It also lifted all travel restrictions on GUSINSKY. Last week, Spain ruled against Russia's request to extradite GUSINSKY to face fraud charges, saying the actions he is accused of would not amount to a crime in Spain. Russia has accused GUSINSKY of misrepresenting the assets of his *Media Most* holding company to obtain a \$262 million loan from *Gazprom*.

The international media watchdog group Reporters Without Borders on Monday asked the Council of

Europe, the continent's main human rights agency, to impose sanctions on Russia for violations of press freedom, including the *NTV* takeover by *Gazprom*. *Gazprom* contends that takeover and the publication changes were motivated only by financial considerations, and Russian officials have dismissed Western countries' concerns about press freedom in Russia. Foreign Ministry spokesman Alexander YAKOVENKO on Monday accused the US of having "double standards" on the issue, comparing the developments in Russia to a dispute about possible layoffs at *ABC* television, the Itar-Tass news agency reported. German Chancellor Gerhard SCHROEDER told visiting Russian Prime Minister Mikhail KASYANOV that he's unsettled by "events related to *NTV*, the daily newspaper *Segodnya* and the weekly magazine *Itogi*" during talks in Berlin.

Gusinsky In More Talks Over NTV Stakes

- *Media Most* Chairman Vladimir GUSINSKY is in talks with Ukrainian businessman Vadim RABINOVICH, who is interested in purchasing stakes in Russia's *NTV*. RABINOVICH, who controls Ukrainian television networks *Era TV* and *Studio1+1*, regretted that the talks had been made public. He confirmed that he is considering an investment in *NTV* base on, "business and financial" and not political reasons, the *Financial Times* reported. RABINOVICH has been linked to Russian businessman Grigory LOUTCHANSKY, whose company *Nordex* was allegedly tied to criminal organizations. GUSINSKY said he no longer had an interest in holding on to his 30 percent stake in *NTV*, following *Gazprom's* takeover of the television stations and the exodus of its independent journalists. Prior to the takeover, GUSINSKY had been in talks with *CNN's* Ted TURNER and a group of investors. TURNER's spokesman has said that the group is no longer interested in *NTV* in its new form. Many of the *NTV* journalists have been hired at Boris BEREZOVSKY's *TV6*, while at least 20 *TV6* reporters have walked out and will work for *NTV*.

Tuesday Tid-Bit

Things Heat Up At Lubyanka

- The Federal Security Service's (FSB) Lubyanka Square headquarters in central Moscow suffered damage from a small fire, which began from faulty wiring in a sauna in the basement of an adjacent

building. Up to 40 firefighting units were brought in to fight the blaze, which Itar-Tass news agency said spread to the first and second floors. All those inside had been evacuated. One firefighter was injured. The blaze was not the first at the FSB's headquarters.

EUROPEAN REPUBLICS

Estonian CB Expects Growth In 2001

- The Estonian Central Bank Monday said it expected the country's economy to grow between 5 percent and 6 percent in 2001, a forecast unchanged from last December. Estonian gross domestic product (GDP) grew 6.4 percent, year-on-year in 2000. Central Bank Chairman Vahur KRAFT told Reuters, "We are projecting some slowdown of growth [because of external factors]." He did not rule out future downward revisions for GDP growth as a global slowdown, filters through to Europe and Estonia. KRAFT said average inflation this year is expected to be 5.5 percent with end-December prices rising 3.5 percent, year-on-year. In December, the Central Bank said it expected average inflation of between 4.2 percent and 5.3 percent this year.

Lithuania Ratifies WTO Accord

- Lithuania's parliament today, in a vote of 71 to 12 with 16 abstentions, ratified the country's accord with the World Trade Organization (WTO), paving the way for the Baltic State's membership in the WTO after six years of talks. Lithuania, which follows fellow Baltic states Estonia and Latvia into the Geneva-based body, will become a member automatically 30 days after it formally notifies the WTO that its parliament ratified the accord. Lithuania concluded multilateral negotiations with the WTO in October and late last year was accepted by the organization's general council to become the body's 141st member, Reuters reported. Lithuania was slower in joining than its Baltic neighbors because it has a larger farm sector and had to conclude more detailed negotiations with the US and other trade powers over subsidies in the sector.

Kuchma Visits Lithuania, Avoids Impeachment

- Taking a break from demands that he resign, Ukrainian President Leonid KUCHMA arrived on Monday in Vilnius for a three-day officials visit.

Initial talks with Lithuania's President Valdas ADAMKUS will focus on Ukraine's integration in the European Union (EU), as well as bilateral relations in the political, economic and cultural spheres, regional problems and international policy issues. An inter-government agreement on social security and interdepartmental agreements on cooperation between the two countries' interior and culture ministries are expected to be signed as a result of the talks. KUCHMA will also meet with Parliamentary Speaker Arturas PAULAUSKAS. Today, KUCHMA, ADAMKUS, Polish President Alexander KWASNIEWSKY and UNESCO Director General Koishiro MATSUURA will attend the Dialogue of Civilizations international conference. KUCHMA believes that Lithuania and Poland will be able to promote Ukraine's integration in Europe, as these countries are "closer to the EU." KUCHMA said that KWASNIEWSKY's support to Ukraine in this issue "is very important."

Meanwhile, the Ukrainian parliament is set to discuss on Thursday whether or not to go ahead with impeachment proceedings against KUCHMA. A proposed draft resolution on impeachment, which needs the backing of 226 lawmakers, would include the establishment of a special team to probe KUCHMA's activities. Opposition politicians accuse KUCHMA of corruption and ordering the murder of independent journalist Georgy GONGADZE. KUCHMA denied allegations and said he won't resign voluntarily.

SOUTH CAUCASUS & CENTRAL ASIA

EBRD Approves Georgian CB Policies

- The European Bank for Reconstruction and Development's (EBRD) chief economist Willem BUITER warned at the bank's annual meeting that former Soviet Republics which had done the least to reform their economies would be exposed the most to the global slow down. Despite this dismal forecast, EBRD supported the policies of Georgia's Central Bank, which includes the restructuring of the banking sector. The Georgian delegation to the London meeting was headed by Georgian Presidential aid on Economic issues Temur BASILIYA and Central Bank Chairman Irakly MANAGADZE. First Vice President of the EBRD, Jean LEMIERRE, will be in Georgia on May 8th and 9th to discuss the prospects

of future cooperation, including the program for eliminating poverty. The Georgian delegation met the Vice President of the World Bank Johannes LINN and Regional Director Judy O'CONNOR. Both will visit Tbilisi in July. Today, BASILIYA and Georgian Ambassador to the United Kingdom Temur MAMATSASHVILI will make a presentation to the EBRD meeting in London. The EBRD gave high ratings to Absolute Bank's restructuring of assets and liabilities. The EBRD approved the bank's policies for the restructuring. Absolute Bank is a joint venture, partly US owned. The EBRD has been working with Georgia since 1994. It is currently conducting 14 projects in Georgia, with a total investment of 169.3 million euro.

IMF Mission Visits Georgia

- An International Monetary Fund (IMF) mission arrived in Georgia today to review economic developments and discuss the implementation of the state budget. According to IMF spokeswoman Nia SHARASHIDZE, the team will review the implementation of policies underpinning an IMF poverty reduction and growth facility plan. The delegation will be led by David OWEN, southern division chief for the IMF's Second Department. Independent economic experts predict tough talks especially over fulfillment of the 2001 budget, as the government did not meet its forecast indicators on revenues. However, Georgia's Finance Minister Zurab NOGAIDELI told Reuters he was optimistic over the upcoming meetings with the IMF experts and the budget. "I think will be able to repair our omission." Earlier OWEN said Georgia had a long way to go to achieve real economic stability and growth and that the government would face problems if it failed to carry out policies aimed at cutting the fiscal deficit and halting the growth of debt. IMF support for Georgia has been suspended since the end of 1999, but the Fund's board decided in January to start a new three-year program worth \$141 million. The first two installments of \$23.2 million both were disbursed in January and March.

Exxon Drills Offshore Well In Caspian Sea

- Exxon Mobil*, the world's top publicly traded oil company, started drilling its first exploration well in the Oguz offshore field in Azerbaijan's sector of the Caspian Sea. *Oguz Operating Co.* is drilling the well, known as Neft Dashlary East No. 1, located about 60 kilometers east of Baku. The company operates the Qurtulush drilling rig and plans to drill down to 3,580 meters, Bloomberg News reported. "We have a long-term commitment to exploration and development in Azerbaijan, and we are pleased to begin this aspect of our work in the Oguz offshore block," said George MACDONALD, *Oguz Operating* vice president. *Exxon Mobil* holds stakes in five projects covering almost 1 million acres in Azerbaijan with estimated reserves worth 10.5 billion barrels of oil. If oil or gas is discovered, then well tests may be carried out, which will take another two weeks. The Oguz block covers an area of 227 square kilometers, where *Exxon Mobil* holds a 50 percent share; the remainder held by *State Oil Company of Azerbaijan (Socar)*.

Central Asian Offers Bid For Hurricane Stake

- Central Asian Industrial Holdings* offered 189 million Canadian dollars (\$121 million) to get a majority stake in Canadian oil producer *Hurricane Hyrdocarbons Ltd.* to control *Hurricane's* oilfields and refinery in Kazakhstan. *Central Asian* offered 10.25 Canadian dollars a share for 18.4 million shares of *Hurricane*. *Central Asian*, based in the Netherlands Antilles, is an investment company with oil and electricity-generation businesses in Kazakhstan. It owns about 30 percent of *Hurricane's* Class A shares. Calgary, Alberta-based *Hurricane's* profits have surged in the past year as oil prices climbed. The company, which was forced to seek court-ordered protection from its creditors in 1999, moved most of its operations to London last year, Bloomberg News reported. *Hurricane*, which delivers oil to Black Sea traders for export, more than doubled its production to 90,000 barrels a day since 1997. It plans to spend 180 million Canadian dollars this year to develop new fields in Kazakhstan.

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