

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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RUSSIAN FEDERATION

Politics

Russia Protests Turkey's Hostage Crisis

• Russia's Foreign Ministry today issued Turkey an official protest note over the pro-Chechen hostage drama in the *Swissotel* in Istanbul. On Monday, Turkish police detained 13 gunmen, who demanded that the US denounce Russia's actions in Chechnya, and secured the release of 120-hotel guests held hostage. According to a ministry statement, Moscow had "more than once drawn the attention of Turkish officials to the possibility of such an act by extremist persons and groups on Turkish territory, who provide various forms of support to Chechen terrorists." Russia's Foreign Ministry warned that the hostage incident had raised "serious concerns," and called on Turkey to ensure the safety of Russians visiting the country. The Russian Foreign Ministry repeated demands that Turkey take "decisive steps" to punish criminal groups whose actions could "negatively affect the development of bilateral relations between Russia and Turkey," Reuters reported. A spokesman for the Turkish foreign ministry in Ankara said later it would be wrong to let the incident harm relations between the two countries.

Duma Parties To Consolidate Again

• Alexei PODBERYOZKIN, a former adviser to Communist Party leader Gennady ZYUGANOV, and Ivan RIBKIN, a former speaker of the Russian State Duma, have called for the forming of a United Socialists Party, intended to rival the Communist Party. Analysts state that the Communists Party's action last month to impeach Russian President Vladimir PUTIN was the impetus to political party consolidations meant to marginalize the Communist Party. Last week, People's Deputies and Regions Of Russia announced they would join the proposed

merger of Unity and Fatherland, guaranteeing PUTIN a majority of 240 seats in the 450-seat Duma. One Union of Right Forces leader and Deputy Speaker of the Duma Irina KHAKAMADA criticized the political consolidations. She accused Kremlin strategists of wanting to leave, "a little bit of the right and a little bit of the left [in the Duma] just as decoration." KHAKAMADA said that the Duma risked becoming part of, "a vertical pipe through which the authorities pass down their decisions. If this pipe is used as a sewer, it will reek accordingly," the Financial Times reported.

In another move to restrict the Communist Party's influence, the People's Deputies is lobbying to cut the number of Duma committees from 28 to 12. In addition, the People's Deputies wants to change the process by which the leaders of the committees, who enjoy special perks, are chosen. The new proposal calls for committee leaders to be selected through a secret ballot and not through negotiations by party leaders. People's Deputies' leader Genady RAIKOV said he wanted to draft legislation for this new process in May. Unfortunately, his new coalition has persuaded him to delay the initiative until later this year.

Duma Passes Money Laundering Law

• The Russian State Duma ratified a European Union (EU) convention on money laundering, which also allows for the confiscation of earnings from crime. The Duma passed the bill to ratify the accord after

President Vladimir PUTIN submitted it to parliament. Russia is on a Group of Seven industrialized nations blacklist of 15 countries and territories deemed to have insufficient safeguards to stop trafficking in illegal funds, Bloomberg News reported. This has caused Western regulators to regard Russian banks and companies with suspicion, hurting their ability to operate abroad. Alexei MOISSEYEV, an analyst at London-based *BNP Paribas SA Bank* said, "This is a good step, and what is even better is that PUTIN sponsored this bill, which shows he agrees with [Economic Minister] German GREF that Russia needs to integrate with the global economy." On Tuesday, Russian prosecutors announced new charges, accusing *Media Most* Chairman Vladimir GUSINSKY of laundering about \$100 million connected with loans from *Gazprom*.

Economy

<p>Ruble = 28.85/\$1.00 (NY rate) Ruble = 28.89/\$1.00 (CB rate) Ruble = 25.99/1 euro (CB rate)</p>
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Russia May Restrict Platinum, Palladium

- Russia may restrict supplies of platinum and palladium to the market while building up its own stockpiles, South Africa's *Business Day* newspaper reported. A decree scheduled to be signed next month by President Vladimir PUTIN includes a policy that stockpiles of the metals be replenished on an annual basis. The decree has already been signed by Prime Minister Mikhail KASYANOV. The measure would end a system where producers, banks, and the state stockpile agency, Gokhran, are awarded export quotas every year. The producers would have to sell a greater proportion of their metal to Gokhran. Insufficient Russian supplies of the metals, used to make jewelry and devices that cut pollution from cars, helped push the price of palladium to a record and platinum to its highest in more than a decade earlier this year, Bloomberg News reported. Russia is the world's biggest palladium producer and the second-biggest platinum miner. Its biggest rival is South Africa.

Business

Gusinsky Leaves Spain and Charges Behind

- Chairman of Russian *Media Most*, Vladimir GUSINSKY, left Spain today for Israel, after travel restrictions were lifted. As Spanish Court rejected

a Russian extradition request last week, ruling that his alleged fraud offences were not crimes in Spain. GUSINSKY's Spanish defense lawyer, Domingo PLAZAS, said on Tuesday it would be "extremely difficult" for GUSINSKY to be extradited to Russia from Israel, where immigrants from the former Soviet Union wield political clout. On Tuesday, Russian prosecutors announced new charges, accusing GUSINSKY of laundering about \$100 million connected with loans from *Gazprom*, and said they would request a new international arrest warrant for him through Interpol. GUSINSKY's Moscow spokesman Dmitry OSTALSKY pointed out that the Russian Criminal Code did not even contain a statute on money laundering. He added, "I think this is a very desperate attempt by the prosecutor's office to save face...It looks like they just picked something which is very fashionable to talk about in the West." GUSINSKY said both the takeover and the legal action against him are politically motivated and stem from the Kremlin's determination to end *Media Most's* critical reporting. Reuters quoted GUSINSKY as saying, "Money laundering is a very tough allegation. But the political motivation is clear. The regime destroys only media, not the steel or gas industry, just the media." He criticized Russian President Vladimir PUTIN with a warning to Europe. "PUTIN wants absolute power...He is a danger to Europe."

Lidvill Drops Case Against Media Most

- *Lidvill Investment Ltd.*, a company within *Gazprom Media*, today withdrew its suit on recovering 429 million rubles (about \$15 million) from *Media Most*. This suit was filed to the Moscow Arbitration Court on April 23rd. As reported earlier, *Media Most* was to transfer shares of its three companies to TNT television according to an agreement signed between *Media Most* and *Gazprom*. In the event the shares were not transferred, the media holding was to repay about \$15 million in fines to the plaintiff. When the terms of the agreement were not implemented and no shares were transferred, *Lidvill Investment Ltd.* filed the suit.

EUROPEAN REPUBLICS

No Confidence Vote Delayed Again

- Ukraine's parliament, in a vote of 316 to 10, delayed for a second time a no-confidence vote

in Prime Minister Viktor YUSHCHENKO until Thursday, abruptly reversing an earlier decision and affording the reformist government a brief breathing space. The no-confidence vote had originally been scheduled for Tuesday. During a session on Tuesday marked by fistfights and angry shouting, deputies postpone the motion until the government has a chance to make its case. President Leonid KUCHMA, speaking during a visit to the Baltic state of Lithuania, urged deputies earlier against holding a vote while both he and YUSHCHENKO were abroad. Deputy speaker Viktor MEDVEDCHUK said, "We propose that Prime Minister Viktor YUSHCHENKO, or one of his representatives, give a 15-minute account before us and then answer questions and we will take a decision on this issue on April 26th." Deputies, particularly the Communists who sponsored the motion and who are parliament's largest faction, believe YUSHCHENKO has failed to listen to their concerns. Communist leader Petro SYMONENKO accused YUSHCHENKO's government of being "pro-Western puppets," who sought to curry favor with the International Monetary Fund (IMF) at the expense of Ukraine. The Prime Minister, a former Central Banker, is Ukraine's most popular politician and is well liked by international lending institutions. IMF Managing Director Horst KOEHLER backed YUSHCHENKO saying the Prime Minister, "has gained a lot of credibility outside of Ukraine, and I think also he deserves support inside of Ukraine." Western diplomats in Kiev have said the possible collapse of such a pro-Western government is a sign that Ukraine may be drifting back into the orbit of giant eastern neighbor Russia. KUCHMA, who has repeatedly criticized the government and failed to back his prime minister publicly, said this week the government's break-up would not be in Ukraine's best interests.

Ukraine Pays \$313 Million To Debt

- Ukraine paid back 1.7 billion hryvnia (\$313 million) of debt in the first quarter, including 1 billion hryvnia of interest payments, *Kievskie Vedomosti* reported. The country spent less than initially planned on debt payments because it hasn't started paying creditor nations. Ukraine stopped paying those debts early last year and is now talking with creditor nations on rescheduling \$1.1 billion it owes them. Ukraine borrowed 591.8 million hryvnia in the first

three months of 2001, including 266 million hryvnia borrowed domestically and 325.8 million hryvnia borrowed from abroad, the newspaper said. The World Bank last month lent Ukraine \$60 million to help it improve its banking system. The country's foreign debt last year fell 17 percent, declining for the first time since 1994, while domestic debt rose 38 percent after the government agreed to pay back about 7.7 billion hryvnia owed the Central Bank. The government earlier had written off that debt, Bloomberg News reported.

Hansabank-LTB Sign Stake Purchasing Deal

- Swedish-owned Estonian *Hansabank* signed a deal on Monday to buy 90.7 percent of *Lithuania's Taupomasis Bank (LTB)*, the state savings bank, after securing guarantees that the sale would not create a Swedish monopoly in the sector. In the event of a successful merger, *SEB-Swedbank* would be obliged to sell one of its Lithuanian assets, the *Financial Times* reported. *Hansabank* will pay 150 million litas, (\$37.5 million) or 9.88 litas a share, for a 91 percent state stake in Lithuania's second largest financial institution. It is also committed to invest 150 million litas further, which includes some 120 million litas for *LTB's* re-capitalization, over the next 18 months. *Hansabank Group* council chairman Anders SAHLEN said the need for re-capitalization might turn out to be around 80 to 100 million litas, rather than the 120 million currently estimated. The group's assets will be 3.9 billion euros (\$3.51 billion). Analysts said *LTB* is key for *Hansabank* to stay atop in the Baltics by boosting presence in the region's biggest market. "Cash flow from Latvia and especially Estonia is very strong but at the same time Latvia and Estonia won't provide growth opportunities any more," said *Suprema* analyst Veikko MARIPUU. SAHLEN added, "This will create a pan-Baltic bank with a presence of about equal size in all the three countries of the Baltic states'."

SOUTH CAUCASUS & CENTRAL ASIA

Russia Withdraws From Vaziani

- The last major shipment from the Russian Vaziani base, located near Tbilisi, was removed on Tuesday. The Caucasus Press reported that approximately 100 Russian soldiers will remain there until early May. Under the terms of the 1999 Istanbul Agreement, the base is to be completely

returned to Georgia by July, 2001. However, Russian television reported that Russia will retain rights to the base's airfield even after the withdrawal is completed.

Georgia To Host TRACECA Conference

- The first international conference devoted to TRACECA project and on the issues of resource development and oil and gas transport to Georgia opened in Tbilisi on April 24th. Transportation and Communications Minister Merab ADEISHVILI said the conference is organized by the British company *International Exhibitions and Conferences*. The major sponsor is *British Airways*. It is estimated that 20 countries will be represented at the two-day conference. ADEISHVILI believes the conference will help show the world the potential of the Europe-Caucasus-Central Asia transportation corridor. It will promote cooperation in the fields of transportation and logistics, Prime News Agency reported.

Minority Parties Demand Changes

- Minority parties in Georgia's parliament are demanding the creation of a two-chamber parliament as a prerequisite for introducing a Cabinet of Ministers. If this condition is met, they will support Georgian President Eduard SHEVARDNADZE's plan for a Prime Minister and Cabinet of Ministers. Giorgi TARGAMADZE, a leader of one minority party, said that a two-chamber parliament is needed because if the President wants to disband the parliament, the legislative power would then be shifted to the higher chamber of parliament. In this case, the country would not be stuck in a legislative vacuum and an authoritative rule could not be imposed, Prime News Agency reported. The ruling party, Citizens Union of Georgia, is holding consultations with opposition leaders because it needs 175 deputy votes for the Cabinet of Ministers' proposal to pass in parliament. The parliamentary majority includes only 136 deputies.

No NATO Bases On Azeri Territory

- Azerbaijan's Foreign Minister Vilayat GULIYEV

said that there is no possibility for NATO bases to be established in Azerbaijan at this time. However, he pointed out that Azerbaijan must take into account the Russian bases in Armenia. He emphasized that Azerbaijan must strengthen its own national security and its army, Prime News Agency reported.

Oil Export Potential Boosted

- State Oil Company of Azerbaijan's (Socar)* Investment Department head Valeh ALESKEROV said that the oil export potential of Azeri, Chirag, and Gyuneshli fields will be 1.2 million barrels per day by 2010. The export potential of Azerbaijan and Kazakhstan will be 120 million to 140 million tons of oil per year in the nearest future. ALESKEROV said the Baku-Novorossiik and Baku-Tbilisi-Supsa routes are not sufficient to export all the oil. He noted that the transport capacity of the Bosphorus Straits is only 75 million to 85 million tons per year. Therefore, ALESKEROV believes that Baku-Tbilisi-Ceyhan should be the main route to export oil from the Azeri, Chirag, and Gyuneshli fields. He noted that this does not mean that other routes will be excluded from exporting oil. He said that the export capacity of Baku-Tbilisi-Supsa will be increased to 140,000 barrels per day.

US-Uzbek Conduct Joint Exercises

- US and Uzbek servicemen are participating in joint exercises conducted within the framework of the NATO Partnership for Peace Program, Uzbekistan's Defense Ministry told United Press International Tuesday. The exercises, Ultrabalance-2001, consist of theoretical and practical training and are being conducted in Uzbek mountainous areas and plains, Uzbek Lieutenant Colonel Komil JABBAROV said. According to JABBAROV, the countries' military forces are exchanging techniques for providing medical aid, field engineering, weaponry, and training for defensive measures. The servicemen are also exchanging views on new developments in military science, JABBAROV said. Uzbekistan has been a participant in NATO's Partnership for Peace program since 1994.

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