

# DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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## RUSSIAN FEDERATION

### Politics

#### **Duma Limits Foreign Ownership In Media**

- The Russian State Duma, in a vote of 332 to 22 with three abstentions, approved a bill in its first reading, which would limit foreign ownership of a controlling interest in print and broadcast companies to no more than a 50 percent stake. Pro-Kremlin Unity Party deputy Alexander CHUYEV said that foreign control of the Russian media would, "hurt media freedom and pose a threat to national security," The Wall Street Journal reported. Pavel KOVALENKO, another deputy for Unity, said the law had to be amended to protect the independence of Russian media from Western media moguls such as *News Corp.* Chief Executive Rupert MURDOCH and *CNN* founder Ted TURNER. "If we don't introduce these limits, then one fine day we'll find that MURDOCH and TURNER will be the ones electing our president for us, or our parliament," KOVALENKO told the Duma. Andrei RICHTER, Director of the Moscow Media Law and Policy Institute said, "Russia would be the first large country that I can think of that would have restrictions on foreign ownership of printed press." The US and most European countries restrict foreign ownership of broadcast media, but not print.

#### **Maskhadov Warns Of New Offensive**

- Chechen President Aslan MASKHADOV threatened a new offensive against Russian forces amid an upsurge of fighting, Agence France Presse and the Associated Press reported. He said, "Russia has found itself in a deadlock. We are regrouping our forces and will soon launch large scale operations." MASKHADOV's warning came amid heavy fighting Wednesday and Thursday, which left at least 17 Russian soldiers dead and 28 wounded. Chechnya's pro-Russian civilian administration

earlier this week moved its seat from the eastern city of Gudermes back to the capital, Grozny. MASKHADOV said the Chechens had recruited more fighters and were better organized. He said he wouldn't rule out new operations to force Moscow to the negotiating table.

#### **Russian Court Sentences US Student For Drugs**

- A Russian Court in Voronezh has sentenced John TOBIN, a 24-year-old Fulbright scholar from Connecticut, to three years and one month in prison on charges of drug possession, purchase and distribution. TOBIN pleaded innocent and claimed he had no connection to drugs.

### Economy

#### **IMF On Russian Economy**

- International Monetary Fund (IMF) managing director Horst KOEHLER said on Tuesday that while Russia's economic performance has improved, there is no room for complacency. He said that in the next few years the IMF was not expecting Russia to have problems meeting its balance of payments. KOEHLER noted that oil prices and the devaluation in Russia's ruble currency had boosted the economy and as such Russia should not need to seek balance of payments support. KOEHLER said, "A fair assessment of developments in Russia in the last 10 years should acknowledge that a lot has been achieved in Russia...The more critical comment is that despite all of these achieve-

ments a lot has to be done further." He pointed out that a sound private sector and emerging middle class are indicators of Russia's economic success. Russian officials have said they may need help, either in the form of new loans from the IMF or from a rescheduling of debt owed to the Paris Club of creditors, to overcome a heavy debt payment peak in 2003, when the former Soviet state will face more than \$18 billion in debt repayments, Reuters reported. To maintain the country's strong macroeconomic performance, KOEHLER particularly urged Russia to press ahead with structural reform. "Now is the issue not to lose momentum and to further this momentum of reform and this is particularly needed in the banking sector," he said, adding that there are still lingering problems from the 1998 banking crisis that need to be tackled. In March, the Russian government decided not to pursue a one-year stand-by agreement with the Fund. But both the IMF and the Russian authorities have said that they intend to stay in close contact with each other.

**Ruble = 28.90/\$1.00 (NY rate)**  
**Ruble = 28.95/\$1.00 (CB rate)**  
**Ruble = 25.91/1 euro (CB rate)**

### Business

#### **Gusinsky To Speak At US National Press Club**

- Russian *Media Most* Chairman Vladimir GUSINSKY, who successfully fought extradition requests in Spain, is scheduled to address at the National Press Club in Washington DC on May 3<sup>rd</sup> on the topic "Freedom of the Press and Russian Future." GUSINSKY was arrested in Spain in December on a Russian Interpol warrant for fraud charges, stemming from loan arrangements with *Gazprom*. On April 18<sup>th</sup>, a Spanish court ruled that the charges against the chairman would not amount to a crime in Spain and later lifted GUSINSKY's travel restrictions. GUSINSKY narrowly escaped to Gibraltar as police broke into his villa in Sotogrande just hours after he departed. The police were acting on a new Interpol warrant issued by Russia, accusing GUSINSKY of money laundering charges. It appears likely that Russia seek to apply the Interpol warrant when GUSINSKY arrives in the US. According to the National Press Club, it is alarmed at the developments surrounding *Media Most* and its

#### **LUKoil To Control North Sea Shipping**

- *LUKoil*, Russia's largest oil producer, agreed to buy a controlling stake in *Northern Sea Shipping*, which transports forest products and other types of freight, Interfax reported. *LUKoil* on Saturday agreed to buy several blocks of shares owned by foreign companies, Nikolai PRAVILOV, a member of *Northern Sea's* board said. The board will elect new members and compile a list of candidates for general director on May 3<sup>rd</sup>, with the new director to be selected at the company's annual shareholders meeting in June. *Northern Sea* owns 34 ships. *LUKoil* previously took control of *Murmansk Sea Shipping*, which owns more than 70 ships, including icebreakers, cargo and passenger ships.

### **EUROPEAN REPUBLICS**

#### **Ukraine's Turmoil Raises Concerns**

- Ukraine has been hit with nearly 6 months of a political crisis and mass demonstrations in the streets against President Leonid KUCHMA, in support of former deputy prime minister Julia TYMOSHENKO, and now in support of former prime minister Viktor YUSHCHENKO. The removal of YUSHCHENKO is likely to increase tensions between the regions and complicate relations with the West, while KUCHMA struggles to keep his own position. Western Ukraine supports YUSHCHENKO's reforms, while Eastern Ukraine supports a more Russian-oriented agenda and represents KUCHMA's power base. The political turmoil in Ukraine, which is bordered to the North by Belarus, the East by Russia, and the South by Moldova, raises concerns that it will turn its back on Western market and democratic principles and drift back into Russia's sphere of influence. Communist Party leader Pytro SIMONENKO has predicted that the Communists will rise to power again in Ukraine. He said, "What happened in Moldova will undoubtedly happen in Ukraine no matter what the imperialists forces try to do." The rise of anti-US rhetoric in the media and discontent for corrupt politicians will strongly influence voters.

Current support surrounding YUSHCHENKO, the nation's most popular politician, is strong in the capital and Western Ukraine. The question remains whether it will last until YUSHCHENKO begins his political comeback.

## SOUTH CAUCASUS & CENTRAL ASIA

### IMF Team Raises Concerns In Georgia

- An International Monetary Fund (IMF) team of analysts has expressed concerns regarding Georgia's economic situation in a meeting with Georgia's State Minister Gia ARSENISHVILI and President Eduard SHEVARDNADZE's Economic Advisor Temur BASILIYA. The IMF team, visiting Georgia until May 9<sup>th</sup>, said it was concerned that Georgia did not meet its tax targets, failed to fulfill its obligation to reduce its foreign debt by 9 million lari, and did not increase the foreign currency reserves at the Central Bank. BASILIYA said that the Central Bank could not fulfill its obligations to increase foreign currency reserves because it did not receive loan installments from the World Bank for the Structural Reforms Project (SAC3) and Energy Project (ESAC). The Central Bank did not receive these installments because it did not fulfill the terms and conditions required by the World Bank. In April, Georgia will receive the next installment of \$11.7 million as part of the \$25 million loan for the ESAC project. The next \$20 million installment of the \$60 million loan for SAC3 it will be disbursed in June. Head of the IMF mission David OWEN said the third \$12 million installment of a \$141 million loan to reduce poverty and promote economic growth will depend upon the results of this visit. Georgia has already received \$24 million of this loan. The delegation will discuss the current economic situation in the country, the issue of collecting taxes, liberalizing the tax code, and other issues, during the visit. OWEN said that the IMF mission will discuss a slight increase in energy tariffs should be implemented in early June, Prime News Agency reported. The foreign currency reserves in the Central Bank total \$120 million. Georgian Finance Minister Zurab NOGADELI said that the relationship with the IMF in the last 10 months have not been satisfactory which is explained by "the poor quality of coordination with the IMF."

### Chevron To Complete Exploration Well In June

- Chevron Corp.* expects to complete drilling the first exploration well at an offshore gas deposit in the Azerbaijan's sector of the Caspian Sea in June. The Absheron offshore field could hold as much as 3 trillion cubic meters of gas. Not all of that will

be recoverable. It could be Azerbaijan's second-biggest gas deposit after the Shah-Deniz field, *Chevron* said. The exploration well is now about 4.8 kilometers deep, said John CONNOR, *Chevron's* Azerbaijan country manager, and will be extended to 6.5 kilometers. *Chevron* is using the Istiglal drilling rig operated by the *Caspian Drilling Co.* to explore Absheron. *Chevron* will drill an additional well to confirm the reserves before committing to further investment. "*Chevron* participated with *Exxon Mobil Corp.* and *State Oil Company of Azerbaijan [Socar]* in the construction of a new semi-submersible rig. We plan to use that rig for the second well," said CONNOR last week. *Maersk Contractors* will build the new rig at a cost of \$250 million over the next three years, Bloomberg News reported. The rig will be able to drill in up to 1,000 meters of water. It will be the first semi-submersible rig newly built in Azerbaijan in the past decade. *Chevron* holds a 30 percent stake in Absheron and is the project's operator. *Total Fina* holds 20 percent and *Socar* owns 50 percent.

### Kazakhstan May Issue Eurobond In 2002

- Kazakhstan is likely to issue Eurobonds totaling \$350 million in October, 2002. Deputy Prime Minister Oraz JANDOSOV told Reuters that Kazakhstan will not need to borrow from abroad this year. He said, "Most probably we will issue paper to refinance this debt. We will try to get a higher rating in the next 18 months to refinance more cheaply." The issue would refinance Kazakhstan's outstanding \$350 million Eurobond due in October, 2002. JANDOSOV said, "This year, our foreign debt will be less than the government's foreign assets." Last year, Kazakhstan launched a 2007 Eurobond worth \$350 million and priced to yield 11.125 percent annually. Ratings agency *Standard & Poor's* assigned it a long-term rating of B plus.

### IMF Provides Tajik With \$8 Million Credit

- The International Monetary Fund (IMF) approved an \$8 million credit to Tajikistan, based on an economic review of the anti-poverty program. The three-year program was approved in June, 1998. Under the program, the IMF planned to provide \$122 million credits to Tajikistan. The Fund granted only \$84 million out of this sum. The IMF showed that it approved Tajikistan's economic policy. It also recommended that the state expand the reforms. Special attention was paid to toughening financial,

**SPECIAL REPORT****Eurasian: The Movement, The Mission, The Spector of Fascism**

- Alexander DUGIN, best known for his writings on GeoPolitics and Eurasianism, held a founding congress of the *Eurasia Public and Political Movement* on April 21<sup>st</sup>. Kommersant reported that the Eurasia movement is composed of 52 regional organizations which DUGIN claimed will not participate in the elections. Rather it will perform the role of a ideological reservoir for the PUTIN administration. Delegates and guests to the congress were welcomed with two huge banners: "Russia is a Eurasian country. V.V. PUTIN", and "Eurasia – Is Above Everything [Uber Alles]." DUGIN, self-described as a philosopher, geopolitician, and the advisor to the State Duma Chairman, has enjoyed access and influence, especially in the military and security circles, beyond many careful observers expectations. DUGIN, who has been referred to by many as a well read kook, blends philosophy, history, myth and esoteria to assert an anti-Atlantic (read anti-American) message. This message appears to be growing in popularity within certain elements of the PUTIN administration and a sizeable portion of the Russian population.

Before DUGIN emerged as a leader in Russian neo-fascists circles, he co-wrote the program of Gennady ZYUGANOV's Communist Party and was a former leader of the National Bolshevik Party (NBP) with Eduard LIMONOV (who is now in Lefortovo prison with an investigation pending). According to DUGIN the Eurasian idea is the emerging Russian national idea that, "is in line with the interests of all ethnic groups, of all cultures and people of Russia." In November, DUGIN described his vision on the "Transcaspian" website [www.transcaspian.ru](http://www.transcaspian.ru). Some of his ideas are now taking form:

The aegis of the EURASIAN PLATFORM, the Right and the Left could unite in the name of power, both socialists and market experts, and agree with the main postulate: no internal political splits should destabilize the Russian State, damage its safety, weaken our strategic and civilization sovereignty or upset social stability...It would be logical to join to the EURASIAN PLATFORM "Yedinstvo" (Unity), CPRF, OVR, LDPR, Agrarians, "Regyoni Rossii" group (Russian Regions), many independent deputies and even SPS and "Yabloko," which would confirm solidarity with the fate of the nation, formally rejecting the old "Atlantic illusions or fallacies."

The principles of the Eurasian Platform can be found in the DUGIN's book The Basics of Geopolitics published in 1997. In it, DUGIN advanced the notion of a rebirth of the Russian empire. These views have found resonance among many of the military and security elite in Russia. It has also resonated among common people who seek to regain the pride they experienced as a feared superpower during the Soviet period. DUGIN's work and his viewpoints provide a perspective into contemporary Russian discontent and the dangers associated with further economic decline and grandiose visions of restoring an empire. He calls for a culture war against Western influence.

DUGIN's theory of international relations for the new millennium is held together with a simple common understanding, it is centered upon an anti-Atlanticism. This anti-American, anti-bourgeois mentality is a potent factor in Russian public opinion after what many describe as the failures of the past ten years transition to the market economy. DUGIN's Eurasia is the "new post liberal epoch," which would unite the countries of the Eurasian landmass to oust Western influences and prevent the adoption of their liberal values. America and its way of life is considered a global enemy. DUGIN's anti-western message is further amplified by his choice of the immensely popular topic of "geopolitics."

Geopolitics, with its diverse theories of interpretation among Russia's defense and security elites, is the perfect transmission device to promote his theories and enhance his notoriety. Through this medium, DUGIN opposes the hegemony of American power and concludes that the Cold War was not a mere ideological duel, but a "historical constant," which prevents any cooperative activity with America on a strategic level. This theme of the inevitable conflict of the clash of civilizations is a driving force throughout his writings. The geopolitical framework allows DUGIN to make sweeping pronouncements and attacks

against the liberal traditions of the West. He describes a Manichean struggle and the inevitable conflict for dominance of the Eurasian heartland. DUGIN proposes that Russia must be prepared to win this struggle for dominance, which is gaining favor throughout Russia.

Today, much of Russia's foreign policy and military strategies mimic themes similar to DUGIN's geopolitical theories. The theme of opposing the, "...unipolar world under the financial and military domination by the United States," is not unique to DUGIN and have been repeated by Boris YELTSIN. A similar policy was first proposed by former Prime Minister Yevgeny PRIMAKOV. Its components would be to oppose the unipolar world dominated by the US and build a strategic alliance with China and India. PUTIN's initial foreign travel reflected the importance of these countries along this Eurasian axis. This is being bolstered by military sales and technological transfers.

DUGIN addressed the congress by describing how the initial reforms after the collapse of the Soviet Union accepted a Western orientation (Atlanticism). This was totally unnatural to Russia. This Atlantic or Western outlook is hostile to the Eurasian people. It is an ideology of the soulless and individualistic Americans. YELTSIN understood this and began to, "abandon the fatal Atlantist way." This withdrawal of Western influence was first seen in new concepts of Russian foreign policy. Yuri AFANASYEV, Rector of Humanities at Russia State University wrote in 1994 that the YELTSIN doctrine in fact introduced the return of the Great Power ideology (ideologiya derzhavnosti) into Russia political life and he reflected that every day Russian foreign policy is becoming tougher and more independent from the Western perspective. However, "the true victory of the Eurasianist is PUTIN's presidency." "We support the President absolutely and radically," DUGIN said. "And we represent the radical center," DUGIN even hinted that the shift to the ideology of Eurasianism by Russia's elite occurred due to his efforts.

Whatever DUGIN's influence, his early involvement with the National-Bolshevik Party raises the specter of his fascist leanings and the predisposition of the Eurasian "ideology" to promote an aggressive and expansionist Russian foreign policy. It constantly uses the language of war and confrontation, especially in cultural terms. One obtains a feeling for this potential when visiting the "Transcaspien" website where DUGIN's Eurasian Platform is promoted. Other articles which reflect this aggressive worldview include: Russia and Armenia to "control" the Caucasus, The US at the Azerbaijani-Turkish front; Azerbaijani oil: the struggle reaches the decisive point; Central Asia: an epicenter of global problems; etc.

Unfortunately, the trends in Russia of eradicating the independent media, merging political parties, greater centralization, growing anti-Western opinion and foreign policy initiatives, recall to mind that ideas do have consequences. These ideas recall themes found in another movement that emerged in Germany during the 1930's, which also promoted a messianic message of superiority.

In 1997 when DUGIN was the ideological leader of the National-Bolshevik Party (NBP), it defined its essence as, "an incinerating hatred of the anti-human system of the triad: liberalism/democracy/capitalism" according to Stephen D. SHENFIELD's excellent book on Russian Fascism: Traditions, Tendencies, Movements. This hatred can be clearly found in DUGIN's article "War is our Mother" published December, 2000, in Bulgaria: "The Western civilization is denying us the right to be a different civilization - and that is war. Our ex-brothers refuse to respect our might and size - it is war. Our Western neighbors, encouraged by the Atlantists' might, are waving threateningly with their feeble, red-haired fists —and that is war."

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