

# DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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## RUSSIAN FEDERATION

### Politics

#### **Borodin Agrees To Extradition**

• Pavel BORODIN, secretary of the Rus-Belarus Union who is under arrest in New York, has dropped his opposition to a Swiss extradition request. BORODIN was arrested upon arriving in New York on January 18<sup>th</sup> to attend the inauguration of US President George W. BUSH. Swiss authorities had issued an international warrant which charges BORODIN of receiving and laundering kickbacks from contracts given to Swiss-based companies *Mabetex* and *Mercata* to renovate the Kremlin. The Swiss allege that two fictitious companies, *Lightstar Low Voltage Systems Ltd* and *Zofos Enterprises Ltd*, were used to conceal the money, which could total as much as \$25 million. BORODIN has denied these charges. Russia dropped its own investigation into the affair last year after extensive cooperation with the Swiss, and has protested vigorously against BORODIN's arrest. He is to be extradited to Switzerland within days. BORODIN said, "I'm not afraid of anything, as I'm sure a Swiss court will acquit me of any charges. My decision is based solely on my desire to be set free as soon as possible and to have my reputation remain unstained."

#### **Ivanov Wants A "Balanced" Army**

• Russia's new Defense Minister Sergei IVANOV on Saturday said he backed a "balanced" army, where the country's nuclear shield was maintained, but conventional forces were reformed and improved, Reuters reported. IVANOV explained this balance further to *ORT* public television. "For example, the strategic rocket forces: this is the nuclear shield of the country, it is a reliable barrier against aggression towards Russia using nuclear weapons. At the same time, the world is changing; the world is constantly changing. We see new threats that were not appar-

ent 10 years ago. We have ignored a little bit the general armed forces, the infantry." He pointed out that on going battle against Chechen terrorist as an example of Russia's conventional forces' decline. "For this we need a mobile force, militarily capable, armed well and armed in a modern way, including space means, which also need to be given a boost," IVANOV said. He proposed the creation of a new branch of the army called the Space Forces from the Strategic Rocket Forces. This force will launch spy satellites. IVANOV served in the SVR foreign intelligence service prior to being appointed as secretary of the Security Council.

### Economy

#### **Russian Markets React To Putin's Speech**

• Russian market watchers welcomed remarks by Russian President Vladimir PUTIN in his state of the nation address calling for steps to jump-start the nation's slowing economy. Shares slipped Tuesday under the weight of global markets. Traders said the speech showed the President and economic advisers were aware of what was needed to boost economic growth. The President also pledged to approve a new tax package intended to stimulate the economy. PUTIN also called for overhauling currency controls and the legal system. *Troika Dialog* share trader Alexei DOLGIKH said, "There were a lot of good things in the speech, setting out where Russia's economy is headed and I think there were things in it to cheer a lot of people, includ-

ing investors." While the speech showed no major impact on foreign exchange trade, where the ruble was trading in line with an early-day drop to 28.8597 per dollar from 28.7723 per dollar on Monday. Russia's 30-year dollar bond rose a little in reaction, Reuters reported. Traders said the thin market, whose investors have been scared to the sidelines by global turbulence, reacted sluggishly to PUTIN's speech.

**Ruble = 28.81/\$1.00 (NY rate)**

**Ruble = 28.70/\$1.00 (CB rate)**

**Ruble = 25.905/1 euro (CB rate)**

## Business

### **Boris Jordan To Lead NTV**

- At Tuesday's controversial shareholders' meeting, the newly appointed *Gazprom*-dominated board named US investment banker Boris JORDAN general director, replacing *NTV*'s leading anchorman Yevgeny KISELYOV. It also made Vladimir KULISTIKOV, a former *NTV* journalist who worked for the state-controlled *RIA-Vesti* news, chief editor. KISELYOV scoffed that he would refuse to cooperate with the new management. The *Financial Times* reports that JORDAN requested a meeting with KISELYOV for today and was refused. Instead, JORDAN is meeting with Media Minister Mikhail LESIN. Journalists today canceled all entertainment programming in protest of the hostile board takeover. JORDAN said that he had no intention of entering *NTV*'s premises by force with police. He played down interpretations that the *Gazprom* take over was politically motivated and orchestrated by the Kremlin. JORDAN said he wants to ensure there is no political interference imposed over the channel, which is the greatest fear of *Media Most* chairman Vladimir GUSINSKY. He also plans to seek a foreign investor for a one-third stake in *NTV*.

JORDAN has a history of working with Russian companies. He founded *Renaissance Capital* in the early 1990's and is just completing buy-outs of his remaining shares in the brokerage firm. He also once partners with financier George SOROS and Vladimir POTANIN. In 1997, JORDAN and SOROS teamed up to outbid GUSINSKY for a stake in *Svyazinvest*, the state's telecommunications holding company.

### **Turner To Buy NTV Stake**

- Cable News Network (CNN)* reported that its founder Ted TURNER and a group of investors agreed to buy most of *Media Most* Chairman Vladimir GUSINSKY's *NTV* stake to help preserve the television channel's independence. The *Washington Post* cited sources as saying the deal was worth \$225 million. A spokesman for the Atlanta-based cable news network told Reuters that TURNER was acting outside his role as vice chairman of *AOL Time Warner*, the parent company of *CNN*. *Media Most*, Russia's largest private media group, has been negotiating with foreign investors including TURNER and billionaire George SOROS in an effort to stop *Gazprom* from taking control of *NTV*. *Gazprom* has also had talks with representatives of TURNER and the other potential investors. The journalists at *NTV* have angrily rejected a boardroom takeover on Tuesday by *Gazprom*. They claim that *Gazprom* is being used by the Kremlin to silence *NTV*, which regularly criticizes President Vladimir PUTIN and his policies in Chechnya. *NTV* is by far the most influential source of information outside Kremlin control. Two other national stations, *ORT* and *RTR*, are either state-controlled or fully state-owned.

### **Rusky Alyuminy Merger Approved**

- Russia's Anti-Monopoly Ministry approved the formation of *Rusky Alyuminy*, making it the world's second aluminum producer. The new company is made up of assets and subsidiaries of Siberian Aluminum led by Oleg DERPASKA and *Sibneft* led by Roman ABRAMOVICH. Both entities will equally share control of *Rusky Alyuminy*. The new company will control about 70 percent of Russia's primary aluminum production capacity. It unites Russia's biggest aluminum plants: Bratsk, Krasnoyarsk and Sayansk, as well as alumina plants Achinsk in Russia and Mykolayivsky in Ukraine. DERPASKA said that *Rusky Alyuminy* will have sales at about \$4.8 billion and profits of more than \$350 million. He said the company has no plans of going public for at least two years and saw no need for a foreign strategic partner. According to a company statement, "The companies which will be part of *Rusky Alyuminy* will be obliged to notify the ministry about all planned asset acquisitions in aluminum industry over the next five year." Anti-Monopoly Minister Ilya YUZHANOV noted that the company won't have monopoly production in Russia as it exports about 90 percent of its 2.14 million