

# DAILY REPORT ON RUSSIA

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## RUSSIAN FEDERATION

### Politics

#### **FSB Reprimand US Lecturer**

- Russia's Federal Security Service (FSB) said it had reprimanded US lecturer, Elizabeth SWEET, over her attempts to gather information about local companies. The FSB stopped short of taking action to expel her. However, pravda.ru reported on June 11<sup>th</sup>, citing *Vremya Novostei* that SWEET had been accused of espionage and ordered her to leave the country. The Omsk FSB branch stressed that SWEET had not been expelled, but added that, "the renewal of her contract is under question." SWEET had asked her students at Siberian University to prepare a report on the region's social and economic situation. The FSB did not approve of the methods used to gather pertinent facts, which they stated included defense industry secrets. Omsk FSB spokeswoman explained, "This type of information, gained through unofficial sources, does not give a true reflection of the situation and if it was published abroad it could harm the image and competitiveness of our businesses. So there was a discussion between the foreigner and an FSB employee at the university and it was explained that this activity could damage our organizations and our firms... She [SWEET] agreed to hand over the material she gathered to the dean's office and said she wouldn't do this any more, but no official case was brought against her." SWEET is the latest victim of spy-mania, which has mushroomed under the former FSB director turned President, Vladimir PUTIN.

#### **Russia To Abandon Vietnamese Base In 2004**

- Russia has decided not to renew its Vietnamese lease for a military base at Cam Ranh Bay that was its major strategic foothold in the region. This was confirmed by the Vietnam's Foreign Ministry,

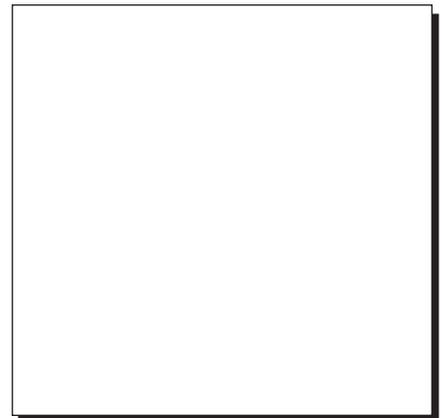
which said the base will be used for economic and social development. Under a 1979 lease agreement, Vietnam allowed Russia to use it as a military base for free until 2004. Hanoi said it would seek rent if the Russian lease were renewed; something that cash-strapped Moscow seems unwilling to agree to.

#### **Yeltsin Advises Putin Ahead Of Summit**

- Former Russian President Boris YELTSIN told his successor Vladimir PUTIN Tuesday to beware of strong-arm US negotiating tactics during a forthcoming first summit meeting with US President George W. BUSH, scheduled for June 16<sup>th</sup>. He warned PUTIN that US negotiators like to play hardball. YELTSIN said, "You have to get used to it and prepare for it, so that you do not give in to this pressure. I never gave in and I do not think that this kind of thing will be successful with Vladimir PUTIN either." YELTSIN's comments come on the heels of an invitation by former US President George BUSH, the father of the US' current President, to visit his home any time he likes. Itar-Tass reported that BUSH extended the invitation during a telephone call on Tuesday, in which YELTSIN wished BUSH a Happy 77<sup>th</sup> Birthday.

#### **Putin: Up Close And Personal On Russian TV**

- A new television documentary about Russian President Vladimir PUTIN was broadcast nationwide on state-owned RTR television, coinciding with Russia's Independence Day. The program was



an up close and personal documentary on PUTIN starting in February, 2000. Scenes showed PUTIN at his inauguration, riding in his limousine from the Kremlin, and meeting one of his former teachers. Not to be excluded from the film, PUTIN's athletic side was shown as he weighed himself (165 pounds) after swimming in a pool. He said he would only go for a second term in office if he had proved to the nation he deserved it. PUTIN told the filmmaker, "We have no more time to wait and take it easy, we must act and act energetically," regarding the need to reform taxes, shake up the legal system and stop the country's post-Soviet decline. Some liberal commentators have seen danger signs in such uncritical documentaries, harking back to the cult of personality built around Soviet dictator Josef STALIN. Fuel for such fears was also provided by a march on May 7<sup>th</sup>, the anniversary of PUTIN's inauguration, when thousands of youths sporting T-shirts with the president's portrait on them paraded through Red Square, an event organized by a new youth organization with strong links to the Kremlin. Further evidence of this is the retooling of a Russian factory to produce hollow busts of PUTIN's head.

### Economy

<p>Ruble = 29.15/\$1.00 (NY rate)  Ruble = 29.12/\$1.00 (CB rate)  Ruble = 24.84/1 euro (CB rate)</p>
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### **Ruble Firms With CB Support**

- The Russian ruble edged up today with minimal support from the Central Bank and dealers said dollar demand was lower following heavy Central Bank support last week. The ruble's weighted average for today settlement rose to 29.1246 per dollar in the key unified session of eight exchanges compared to 29.1254 per dollar on Friday, the previous trading day due to public holidays on Monday and Tuesday, Reuters reported. Based as usual on the results of the unified session, the Central Bank cut its official next-day rate to 29.12 rubles per dollar from a previous 29.13. *Metallinvestbank* dealer Sergei ROMANCHUK said, "Banks bought so many dollars from the Central Bank last week that it did not require much intervention to push the dollar down [against the ruble]. Banks are no longer able to hold long [dollar] positions, and aside from that, the ruble was helped with high ruble overnight

rates." Overnight ruble rates are currently 12 to 17 percent versus the usual 3 to 5 percent. Traders said the Central Bank spent up to \$50 million in the unified session to boost the ruble after it eased to 29.1850 per dollar early in trade. They said the Bank intervened at 29.14 to 29.15 rubles per dollar on and that it had spent about \$1 billion last week to support the currency. Mikhail MIKHAYEV, head of hard currency operations at *Zenit Bank*, said the ruble also benefited from lower ruble liquidity as banks and businesses sucked up rubles to prepare for quarterly tax payments.

### Business

#### **Sibur Purchase BorsodChem Stake**

- The Russian *Siberian-Ural Company (Sibur)* purchased 3,022,966 shares or 24.8 percent of Hungarian oil and chemical firm *BorsodChem* from Hungary's *CIB Bank*. The purchase price was not made public. *Sibur* confirmed its plans to develop mutually beneficial projects with the largest oil and chemical company of Hungary, *BorsodChem*. Analysts said the purchase could be the first step by *Sibur* towards a takeover of the Hungarian chemicals company in the near future. *Sibur* Vice President Sergei ZENKIN said in April this year his company aimed to acquire 50 percent of *BorsodChem* and sector peer *TVK*, but gave no timeframe.

*CIB*, the Hungarian arm of Italy's *Banca Commerciale Italiana*, purchased the stake in Hungarian chemicals *BorsodChem* from Irish-based *Milford Holdings*, a proxy of Russia's *Gazprom* in January this year. *CIB* had a sell option, while Russian chemicals company *Sibur*, which is controlled by *Gazprom*, had a buy option for the stake. Under Hungarian law, a company is obliged to make a buyout offer for all outstanding shares in another firm, if its stake in that firm exceeds 33 percent. Analysts added, however, that a possible buyout offer was not likely to have a significant impact on the share price.

### **EUROPEAN REPUBLICS**

#### **Moldova To Remove Dniester Checkpoints**

- Ahead of a meeting with the leader of the break-away Dniester Igor SMIRNOV on June 20<sup>th</sup>, Moldovan President Vladimir VORONIN said that the state will dismantle checkpoints at the border with