

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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RUSSIAN FEDERATION

Politics

Putin Appoints New Ministers

- Russian President Vladimir PUTIN appointed Igor YUSUFOV as head of the Fuel and Energy Ministry, replacing acting Minister Ivan MATLASHOV. In addition, Vitaly ARTYUKHOV was appointed to replace Boris YATSKEVICH at the Natural Resource Ministry. Former Energy Minister Alexander GAVRIN stepped down in February after blunt criticism from PUTIN over a protracted energy crisis, which left thousands of Russians freezing through the winter. Prime Minister Mikhail KASYANOV told *RTR* state television, "Both ministries are of key importance when we prepare for the winter period. And talking about natural resources...strengthening of the organizing role of the department is very important here in its work with the governors and with regions, and in efficient use of natural resources." At a Cabinet meeting today, supplies to northern region had been discussed. It was noted that financing for the supplies had been provided ahead of schedule. The last Cabinet reshuffle occurred in March, when PUTIN replaced the heads of the Defense and Interior Ministries.

EU Statement On Press, Chechnya, Ukraine

- European Union (EU) leaders on Saturday in a draft statement at the EU summit expressed concern about threats to the freedom of the Russian media and the conflict in Chechnya. It stated, "The situation in Chechnya gives rise to serious concern. A political solution to the conflict is urgently needed. Reported violations of human rights should be thoroughly investigated in order to bring perpetrators to trial." The draft document noted that Russia had promised to cooperate with the EU in delivering humanitarian aid to the region. The EU said it would continue to monitor Russian

media freedom. "A strong civil society is necessary in a modern democratic society. Freedom of speech and pluralism in the media are essential democratic principles and core values for a genuine EU-Russia partnership." Despite the concerns over media freedom and Chechnya, the EU statement said the bloc was forging a strong dialogue with President Vladimir PUTIN's administration on a wide range of issues including energy, aviation and crime fighting, Reuters reported. The EU is Russia's biggest trade partner and the two hold regular six-monthly summits. The EU summit also called for closer cooperation with Ukraine as it struggles to maintain its post-Soviet independence amid deep economic and political woes. "Stable and positive political and economic development in Ukraine is of strategic importance for Europe. The Union acknowledges Ukraine's European aspirations and will continue to support democratic development, human rights, the rule of law and market-oriented economic reforms," the summit statement said. Ukraine has said it would like to join the EU one day, but it is still far from even being able to open the complex accession negotiations.

Hansen To Be Spared From Death Penalty

- The US Justice Department announced that it will not seek the death penalty against former FBI agent Robert HANSEN, who has been indicted on 21 counts of spying charges. Fourteen of the charges are punishable by death. In the plea bargain, HANSEN would plead guilty to spying charges and fully

brief prosecutors and intelligences officials on the information he allegedly provided Moscow during his 15 years of spying in exchange for \$1.4 million in cash, diamonds, and deposits to foreign bank accounts, The Washington Post reported. This would involve a polygraph test. The plea agreement, favored by the Justice Department, the FBI and CIA, would provide invaluable information about what was handed over to the Russians. Mark HULKOWWER, who prosecuted Aldrich AMES said, "There are always compelling reasons why the government would forgo the death penalty in a case like this. Life in prison is deterrence enough. What the government needs from HANSSEN more than his execution is a truthful and accurate debriefing to let them know what he compromised. Without it, they have to assume everything he touched he gave to the KGB and that just adds to the damage." From the government's perspective, getting a plea deal with HANSSEN would avoid the need for a trial and would also avoid the possibility that national security secrets and the source from the KGB material that identified HANSSEN would be disclosed in court.

Communists Support The Death Penalty

- Russia's Communist Party leader Gennady ZYUGANOV Wednesday said that the nation is not ready to give up capital punishment. He said, "Europe wants us to refrain from this type of punishment, but what is good to quiet Europe is not fitting for Russia." He said, "Europe does not have Chechnya," referring to the breakaway republic where government troops are fighting a violent rebellion. ZYUGANOV pointed out that, "Special conditions allow special measures." Russia imposed a moratorium on executions after it joined the Council of Europe in 1996. Later, it banned judges from passing down death sentences until a jury system is adopted throughout the country; a project that President Vladimir PUTIN ordered completed by 2003, the Associated Press reported. Public opinion appears to favor capital punishment and several top-level officials have voiced their support. Justice Minister Yuri CHAIKA called for restoring the death penalty for convicted terrorists, and the commander of Russia's military campaign in Chechnya, General Gennady TROSHEV in an interview with Izvestia, called for Chechen rebels to be publicly executed. He said, "This is how I'd do it: I'd gather them all on a square and string up the

bandit and let him hang, let everyone see." Several Russian officials have distanced themselves from his statement.

Economy

<p>Ruble = 29.07/\$1.00 (NY rate) Ruble = 29.11/\$1.00 (CB rate) Ruble = 25.08/1 euro (CB rate)</p>
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Russia Imports Less Foodstuffs

- Deputy Prime Minister and Agriculture Minister Alexei GORDEYEV announced at the "Russian foodstuffs-2001" exhibition at the *Gostinny Dvor* shopping center that Russia has cut the importation of food by more than 50 percent over the past three years. He said that food imports make up less than 20 percent of the balance of consumer goods, compared with 40 percent in 1996-1997. GORDEYEV noted that imported foodstuffs are consumed mostly in Moscow, St. Petersburg, and other big industrial centers. He pointed out that the importation of dairy products and vegetable oil suffered the largest reduction. GORDEYEV specially emphasized that production of Russian foodstuffs climbed by 10 percent in 2000, as against 1999.

Business

Transneft Considers Crude Production

- Russian pipeline monopoly *Transneft's* President Semyon VAINSHTOK, in an interview with Kommersant Daily, said that the company plans to expand into crude production, possibly starting with a project in the oil-rich Timan Pechora province. The *Transneft* President added that a June 29th shareholders' meeting would consider changes to the firm's charter that would allow it to pursue oil production. VAINSHTOK said, "We have not applied [for any tenders] yet, but we do indeed have oil production plans. We are setting up a separate group within the company to work on oil production—one completely unconnected with oil transport—and we have already hired experts for such work." The government holds a 75 percent stake in *Transneft*, while private shareholders own the remaining 25 percent. *Transneft* is considering the development of the Kharyaginsk field with France's *TotalFinaElf*, which holds a 50 percent stake in the project. But under a production sharing agreement signed in 1995, it and Norway's *Norsk Hydro*, which has a

40 percent stake, must each give up 10 percent to a Russian partner. VAINSHOTOK denied that, if it became an oil producer, *Transneft* could use its position as the pipeline monopolist to delay delivery of crude from other firms in favor of its own. "I would never allow that. Equal access to the pipeline must be provided in any event," he said.

EUROPEAN REPUBLICS

Ukraine Should Join Europe

- In his Warsaw speech, US President George W. BUSH called on Ukraine to find its rightful place in Europe. He urged Ukraine not to backslide on reforms. He said, "The Europe we are building must include Ukraine, a nation struggling with the trauma of transition...Some in Kiev speak of their country's European destiny. If this is the aspiration, we should reward it. We extend our hand to Ukraine—as Poland has already done with determination." BUSH called on Kiev to choose, "democracy, open markets, freedom: the values embraced by Ukraine's neighbor Poland." He noted that Ukraine is a strategic transit route for Russian gas supplies to Western Europe. Marek SIWIEC, national security adviser to Polish President Alexander KWASNIEWSKI, said it was vital to help Ukraine, whose internal crises have worried human rights activists and European Union officials, develop as a sovereign, fully independent country. SIWIEC expressed concern that cash-strapped Ukraine is returning to Russia's sphere of influence. He said, "We need to find ways to invest in Ukraine's economy, find areas where US capital could be invested. Ukraine is a very significant partner, with a legally elected government, and should be treated as such."

Ukraine's Prosecutor General Resigns

- Ukrainian Prosecutor General Mikhail POTEBENKO submitted his resignation to President Leonid KUCHMA on Saturday. Some officials at the administration believe that the President will reject the resignation, *Itar-Tass* reported. Dismissal of the heads of the security agencies was one of the demands of the "Ukraine without KUCHMA" action, in particular in connection with the "cassette scandal" and the unsatisfactory investigation into the disappearance of reporter Georgy GONGADZE.

No confidence in Prosecutor General POTEBENKO was raised in the parliament on February 22nd. However, only about 100 deputies voted for the corresponding resolution. Yuri KRAVCHENKO was relieved of the duties of interior minister on March 26th, after he had submitted several resignation applications to the President. Earlier, Leonid DERKACH was dismissed from the post of Security Service chief.

SOUTH CAUCASUS & CENTRAL ASIA

Russia Warns Against Action In Abkhazia

- Russian peacekeepers have been activated to full alert in Abkhazia. They are prepared to use force against anyone who will try to enter the Georgian-Abkhazian conflict zone during the NATO Exercises. Head of the Russian Peacekeeper Forces General SIDORICHEVMA made this statement in Shuvurkhi on the first meeting of the Georgian and Abkhazian side. He also declared that the Russian force, consisting of 2,000 soldiers and 140 armored personnel carriers in the conflict zone, are ready to take care of any kind of provocation. According to the Russian press, the troops participating in the NATO Partnership for Peace military exercises will end with the invasion of Abkhazia. Georgian President Eduard SHEVARDNADZE in his Monday radio address said that these reports were baseless insinuations.

CUG Accused Of Postponing Elections

- Chairman of the National Democratic Party and candidate for the independent deputy position for the Vake District, Irina SARISHVILI-CHANTURIA claims that the Citizens Union of Georgia Party (CUG) is intentionally delaying the date of elections for independent deputies from the Vake district of Tbilisi and the Bagdali region. She said that if the Central Election Commission (CEC) in June or July does not set the date of elections for those areas, elections will not be held until September or even October. According to the Constitution, elections must be held in May-June or in October-November. The CEC must give 4 months notice prior to the election. SARISHVILI-CHANTURIA said that CUG is not hiding its intention to hold the independent deputies from the Vake district and Bagdali region at the same time as the Fall local government elections. The CUG said that former

State Minister Vazha LORDKIPANIDZE may run in the Bagdali region, which will cause the CUG to have problems finding a candidate to oppose him. SARISHVILI-CHANTURIA believes that the CUG is delaying the elections because certain candidates are unacceptable to the party. She points out that the CUG delayed lifting the deputies' authority for Vake district representative Misha SAAKASHVILI, after he became Justice Minister, and Bagdali region's Zurab MSKHVILIDZE, who was appointed to the post of chairman of the Sentence Execution Department, Prime News Agency reported.

Russia Bars Georgian Flights

- The Russian State Civil Aviation Service on Friday announced a ban on Georgian airlines' flight into Russian air space as a punishment for Georgia's unilateral reduction of airline flights between the two countries. The formal reason for this decision is 15 Georgian airlines' delay of payments on substantive debts for aerial navigation services in Russia. Russian Deputy Transport Minister Pavel ROZHKOVA said that these debts total \$3.7 million. The real reason for Russia's ban, ROZHKOVA said, is that the Georgian civil aviation administration unilaterally decided two days ago to reduce the number of flights between Russia and Georgia from seven to five from each side every week. ROZHKOVA said, "None of the civilized countries makes such decisions unilaterally. Flights by Russian airlines are the exclusive prerogative of Russian aviation authorities." Russia was notified about the Georgian decision on Wednesday, the deputy minister said. Russia responded with two letters asking Georgia to revise its move and warned of the retaliation, Xinhau reported. If Georgia cancels its decision, Russia will lift its ban the same day, ROZHKOVA said. *Aeroflot*, *Aviaexpresscruise*, and *Vnukovooperate* operate flights to Georgia. Georgian airline *Airzena* operates flights to Russia.

Armenian-Iranian Hydro-Power Plant Plans

- Armenian Energy Minister Karen GALUSTYAN on Sunday announced that the Armenian-Iranian

hydro-power plant to be built on the Araks River will cost from \$60 to \$80 million. The project, presented at the recent business forum in New York City on investments in the Armenian economy, interested of several foreign companies. It will have a capacity of about 78.9 megawatt and generate 469 million kilowatt/hours of electricity a year. It is planned to do the construction within five and a half years. A joint venture between Armenia and Iran has been set up to design the power plant, Director of the Armgidroenergoproyekt Institute Armen GRIGORYAN said. They will decide whether the power plant will have Armenian and Iranian sectors or be a joint facility, he noted.

Iran Defends Its Stance On The Caspian Sea

- Iran today said that it will never hesitate in defending its legitimate rights in the Caspian Sea. Hamid Reza ASEFI, Iranian Foreign Ministry spokesman, said that Iran hopes that consultations among the five Caspian littoral states will bear fruits on the basis of mutual understanding and consensus. Azerbaijan, Iran, Kazakhstan, Russia, and Turkmenistan are the littoral countries of the Caspian Sea, which is estimated to have the world's third largest reserves of oil and gas after the Gulf and Siberia. Iran has repeatedly indicated that it would agree to an equitable sharing of the oil-rich Caspian Sea, which has been opposed by some other nations, at 20 percent of the sea. A summit to discuss the Caspian Sea status has been postponed until September in Astana. ASEFI stressed that Iran has been active in holding meetings on the matter and hopes that deliberations among the parties involved will succeed despite remaining differences and diverging views of the littoral states. The five littoral states on Friday concluded the fourth meeting of deputy foreign ministers in Baku. Russia, Azerbaijan and Kazakhstan have similar attitudes on the Caspian Sea status. Iranian Deputy Foreign Minister Ali AHANI has noted that the important point of the session has been revealed to all that bilateral or trilateral agreement in the absence of the collective consensus will fail to prove effective.

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