

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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RUSSIAN FEDERATION

Politics

Second Appeal Filed On Tobin's Behalf

- A lawyer for John TOBIN, the US student convicted on drug charges in Russia, filed a second appeal in the case on Monday. Earlier this month, a higher court overturned the distribution conviction on appeal and reduced the sentence to a year. Lawyer Maxim BAYEV hopes the second appeal to the Voronezh Regional Court would result in the sentence being eased even further. "I don't think they will completely acquit him, but at least they could change the punishment to something other than imprisonment," BAYEV told The Associated Press. Earlier reports predicted that TOBIN would be released ahead of the US-Russian summit held last week, possibly on June 12th in connection with an amnesty on Russia's Independence Day. TOBIN's case attracted attention, when Voronezh officials accused him of being a spy in training. No espionage charges were filed, however, and Tobin has said he was framed on the drug charges because he refused to become a spy for Russia.

Russia To End US Transit Visa Rule?

- Russia may lift a rule forcing US citizens traveling through its territory to third countries to obtain a transit visa, after Washington lifted a similar rule imposed on Russians. In a statement, Foreign Ministry spokesman Alexander YAKOVENKO praised Washington's decision last week to lift its transit visa requirement. Moscow was furious at the US decision to impose the visa rule in April, a time of strained ties under new President George W. BUSH following a series of tit-for-tat expulsions of diplomats for espionage. "We hail this step by the US administration, which is further evidence of the improvement in Russian-American relations. The repudiation of this discriminatory measure will

promote contacts between people," YAKOVENKO said. He added, "The Russian side is studying the question of withdrawing its analogous visa requirement for American citizens transiting through Russia, which was imposed as a response [to the US requirement] on May 6th."

Sino-Russian Science & Tech Center Opens

- A new Sino-Russian Science and Technology Cooperation Center has been established in north-east China's Heilongjiang Province. This is the third state-level Sino-Russian cooperation center, which will help Chinese and foreign investment firms to seek, select and recommend High-Tech projects from the Commonwealth of Independent States (CIS). The center will also attract scientists and technicians from the CIS, and help Chinese enterprises cooperate with partners from the CIS.

Russia-Japan To Boost Defense Cooperation

- Japanese Defense Agency Chief General NAKATANI and Russian Ambassador to Japan Alexander PANOVA agreed Monday to step up bilateral defense exchanges. PANOVA extended an invitation for NAKATANI to visit Moscow before year's end. He also told NAKATANI that the Russian Navy plans to have some of its vessels travel to Japan in the fall, as part of efforts to build trust between soldiers from both nations.

Top officials from the Russian Air Force are also preparing to visit Japan in the future. The Ambassador referred to recent talks between US President George W. BUSH and Russian President

Vladimir PUTIN, saying he hopes the two countries will find ways to reconcile their differences over the 1972 Anti-Ballistic Missile (ABM) treaty, which was signed by the US and the former Soviet Union. NAKATANI told PANOVA that frank exchanges of views between the US and Russian leaders will contribute to global peace and stability, Kyodo reported.

Russian Businessman's Body Discovered

- Police in Cyprus are investigating the death of a Russian businessman whose body was found bound and gagged on a remote beach. The body of the Russian, identified by relatives as Valeri POPOV, was found in a cove in western Cyprus on Saturday afternoon. Police believe he drowned. POPOV had disappeared from his home in Cyprus several days ago. Cyprus has a large Russian community, many of whom work for offshore companies based on the east Mediterranean island.

Economy

Ruble = 29.05/\$1.00 (NY rate)

Ruble = 29.13/\$1.00 (CB rate)

Ruble = 24.95/1 euro (CB rate)

CB Intervenes To Support The Ruble

- The Russian ruble edged down against the dollar today as market liquidity improved, forcing the Central Bank to intervene to prevent the national currency from falling further. The ruble's weighted average for today settlement fell to 29.0914 per dollar in the key unified session of eight exchanges, compared to 29.0501 per dollar on Monday, Reuters reported. Based as usual on the results of the unified session, the Central Bank cut its official next-day rate to 29.09 rubles per dollar from 29.05 rubles per dollar. "There are more rubles today. We think the central bank could have bought dollars yesterday to improve the situation and it happened," said *Dialog Optim* chief dealer Andrei LISYEV. Dealers said the ruble started falling in early trade as overnight ruble credit rates eased and dollar demand from clients appeared. The Central Bank had to intervene on the interbank market at 29.12-29.13 rubles per dollar. "When the Central Bank came, quotes stabilized and are practically unchanged since then," a dealer said. Dealers said they expected a stable market in the next few days. "The Central Bank has pinpointed its interest and the quotes will be stable at this level," LISYEV said. "There are a lot

of open long [dollar] positions and banks will use the current situation to close them. That is why the market will be balanced," he added.

Business

International Oil & Gas Exhibition Opens

- Five hundred oil, gas and power companies from 30 countries will participate in the 6th Moscow International Oil and Gas-2001 exhibition, which opened today in the Krasnaya Presnya district. The exhibition has been organized by the *ITE Group* under the auspices of the Russian Power, Economic Development and Trade, and Natural Resources Ministries. Among regular exhibitors are the *LUKoil*, *Yukos*, *Rosneft*, *Slavneft*, *TNK*, *Orenburgneft*, *Udmurtneft* companies, the *ABB*, the *British Petroleum*, *Chevron*, *ENI*, and many others. There will be national displays by Britain, Germany, Italy, the Netherlands, Finland, France, and Sweden. Participating in the exhibition for the first time will be companies from Belarus, Ukraine, Azerbaijan, Kazakhstan, and Latvia.

Aeroflot Crews Threaten To Strike

- The technical crews at of *Aeroflot Airlines* threatened today to launch a month-long strike starting June 30th to protest low pay and poor working conditions. A representative for the technicians union said that ground crews at *Aeroflot's* home base at Moscow's Sheremetyevo airport would not service planes from 6 a.m. to noon and then from 6 p.m. to midnight. One union representative explained to Reuters, "This is a necessary step. Our goal is not to inconvenience passengers, but make management understand that we are serious." The union said about 1,200 of *Aeroflot's* 15,000 employees would take part in the work stoppage. But the representative added that, in accordance with Russian law, minimal work would be carried out in instances that absolutely required it. *Aeroflot* management has said a strike would be illegal and filed suit against the union after 300 workers staged a one-hour warning strike last month. A court hearing on that suit is scheduled for Wednesday. Interfax news agency quoted *Aeroflot* Deputy General Director Alexander LOPUKHIN as saying management was working to avert the strike, but that any stoppage would not affect flights. "Company management will do all in order for the conflict to be decided. This is just an everyday issue that will

not affect how the airline works. *Aeroflot's* planes will fly," he said. At a press conference last month technical workers said they were paid much less than other airline employees, making an average of just 7,300 (\$250) a month. Among their demands is a 50 percent rise in pay. Prime-Tass reported that pilots earned an average of 48,000 rubles a month while employees in administration earned upwards of 16,000 rubles.

EUROPEAN REPUBLICS

EBRD Grants 5 Million Euros To Ukraine

- European Bank for Reconstruction and Development (EBRD) President Jean LEMIERE and Ukrainian authorities plan to sign an agreement on a five million euro credit to Ukrainian small and medium enterprises. The credit will be provided to a bank, set up in Ukraine in February and allocated 225 loans amounting to three million euro, the EBRD headquarters said. LEMIERE left for Kiev to hold talks with Ukrainian Prime Minister Anatoly KINAKH. Today, the EBRD president will meet Ukrainian President Leonid KUCHMA and participate in a session of the consultative council for foreign investments. EBRD investments to Ukraine's economy reach 1.3 million euro. Last year, the EBRD signed contracts totaling 293 million euro. In the near future, the EBRD plans to invest in the automobile and food industries, metallurgy, the energy, and banking sectors.

Estonia-Russia Tariff Accord Delayed

- The signing of an agreement between Russia and Estonia ending a double tariff regime between the two countries has been delayed by Russia, the Estonian Foreign Ministry said. The agreement, reached in April after seven years, is part of a six-accord package that received final approval from the Estonian government today. All were due to be signed on June 29th. "That date will be put back after the Russian side said they are not ready to sign and they need more time to prepare all the agreements," Foreign Ministry spokesman Vahur SOOSAAR told Reuters. Estonia's reliance on Russia as its almost sole trade partner has dwindled to almost nothing

over the last 10 years. In April, the country took just 2.5 percent of Estonian exports and accounted for 9.1 percent of imports. The European Union (EU) by contrast took 73 percent of Estonian exports and accounted for 51 percent of imports.

Lithuanian New Union Quits Cabinet

- Today, a resolution criticizing the government, raised by the Lithuanian opposition, failed in a narrow vote of 46 to 45 with eight abstaining. The non-binding motion stating that the government had poorly handled the economy, the deficit in the social welfare system, growing unemployment, and privatization was raised following the resignation of six New Union ministers from the Cabinet, including foreign and interior ministers, on Monday. The ministers left, after Prime Minister Rolandas PAKSAS rejected a call to quit amid rows over privatization and other reforms. PAKSAS said now was not the time to quit and that he would try to find new partners to patch together his government. "Even the resignation of the six ministers nominated by the New Union does not mean that the government should resign in the immediate future," he said. The New Union was a key party to the minority four-party coalition. It is unclear whether New Union will continue to vote with the ruling minority coalition in parliament, as they did not participate in the resolution vote. Analysts said the vote was an early test for the current minority government as it was the first parliament vote since the New Union withdrew. The political crisis forced Lithuanian President Valdas ADAMKUS to cut short his trip to the US and return home.

Eastern European Economic Indicators

- Ukraine's gross domestic product rose by nine percent over the first five months of 2001. Ukrainian Prime Minister Anatoly KINAKH said, "This is the highest indicator in CIS and Western European countries." Industrial production growth in Ukraine over the five months was 18.8 percent, while inflation rate was 4.7 percent.

- Latvia's gross domestic product surpassed an expected growth of 8.2 percent in the first quarter, reaching 1.08 billion Latvian lats (\$170.9 billion). This was an 8.2 percent rise from the first quarter of 2000.

SOUTH CAUCASUS & CENTRAL ASIA

Georgian CB-Finance Ministry Conflict

- Georgian President Eduard SHEVARDNADZE met behind closed doors with Central Bank Chairman Irakly MANAGADZE and Finance Minister Zurab NOGAIDELI to discuss a dispute over a short-term loan. The Finance Ministry is seeking 17 million lari in a short-term loan from the Central Bank to cover salaries and partly pay off external debts. The Central Bank can provide only 11 million lari. It claims that this amount is supported by the International Monetary Fund (IMF). According to the Central Bank, the allocation of an extra 6 million lari will cause inflation to rise.

Georgian Updates: Airspace, Election

- Russia airspace for Georgian airlines remains open for direct flights from Tbilisi to Moscow. Georgia has not received official notification from the Russian State service of Civil Aviation on the airspace ban. Georgian flights to Europe via Russia will not be permitted to enter Russian airspace.
- The Central Election Commission has scheduled the election of Georgian parliamentary deputies from Tbilisi Vake district and the Bagdadi region for October 21st. Leader of the National Democratic Party Irmia SARISHVILI-CHANTURIA will run for the Vake district post, while former State Minister Vazha LORDKIPANIDZE plans to run for the Bagdadi post. He has not officially confirmed this.

Russian Military Visits Kyrgyz

- A Russian military delegation, led by Vice-Admiral Yuri KONONOV, began their visit to Kyrgyzstan. According to Chief of the International Department of the Kyrgyz Defense Ministry Oleg CHECHEL, talks will focus on problems of cooperation between the anti-aircraft defenses of Russia and Kyrgyzstan. Kyrgyzstan is unable to cope alone with all the anti-aircraft defense tasks. CHECHEL said, "Therefore, we have agreed with Russia on the latter's aid to us in this domain. In the course of talks with the Russian delegation, held in keeping with the CIS Anti-Aircraft Defense Agreement,

the sides are expected to determine their further efforts to guarantee the safety of Kyrgyzstan's air space." The consultations, he added, are to touch also on the training of Kyrgyz servicemen at Russian higher military schools.

Moody's Raises Kazakh Currency Ratings

- Moody's Investors Service* said on Monday it raised Kazakhstan's foreign currency ceiling for bonds and notes from B1 to Ba2, saying the development of large oil and gas deposits positions the Central Asian country for improved economic performance. *Moody's* also raised the ceiling for foreign currency bank deposits from B1 to Ba3 and the rating for long-term local currency government securities from B1 to Ba1. All ratings carry a positive outlook, *Moody's* said in a news release. "With the development of large oil and gas deposits and initiation of a series of oil and gas pipeline projects, Kazakhstan is now poised to improve economic performance considerably over the medium-term," *Moody's* said. "Although oil prices may not remain at current levels, increasing oil export volumes will offset any price declines," *Moody's* added.

Tuesday Tid-Bit

New Turkmen Marriage Price

- Turkmenistan President Saparmurat NIYAZOV has ordered foreigners to pay a cool \$50,000 to marry his citizens. Under a decree from the Foreign Ministry to embassies in Ashgabat, foreign would-be spouses must pay the state insurance company, supposedly to support any children of the marriage in the event of a divorce. Turkmen males have for centuries paid a "kalym" or bride-price to marry, but it was never compulsory. An Ashgabat registry official told Reuters Turkmen girls were especially popular with Turks, Iranians, Britons, and Germans. The payment is applicable to both men and women, but it is more common that foreign men take Turkmen wives.

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