

# DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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## RUSSIAN FEDERATION

### Politics

#### **General Calls For Public Executions**

• In an interview in Izvestia, Russian General Genady TROSHEV, commander of Russian troops in the North Caucasus region, called for the public execution of Chechen rebel fighters. 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." TROSHEV justified his proposal by recalling bomb blasts in Moscow and other Russian towns in 1999, which killed more than 300 people. Moscow blamed the rebels, citing the bombs as a trigger for sending its troops into Chechnya. However many in the Russian media have speculated that Russia's own security forces planted the bombs in order to provoke a military crackdown and propel the little known PUTIN into the Presidency. Kremlin spokesman Sergei YASTRZHEMBSKY, said he was against TROSHEV's idea. "There can be no talk of public executions and shootings. Fighters who do not put down their weapons deserve to be destroyed, but those who give up and are taken prisoner should go before a court." Russia has a moratorium on the death penalty, and the Council of Europe, a top human rights and security body, recently said Russia could lose its membership if it retracted its commitment to abolishing capital punishment. TROSHEV further proposed that financial incentives of up to \$1 million be offered for the capture of Chechen leader Aslan MASKHADOV or top field commanders such as Shamil BASAYEV and KHATTAB, Itar-Tass reported on June 1<sup>st</sup>. TROSHEV also warned that, "special operation(s)" may be needed to locate and neutralize Chechen fighters currently in the territory of neighboring Ingushetia. Ingushetia's President AUSHEV quickly responded that this was an, "irresponsible" proposal and noted that President PUTIN has neither declared war on

Ingushetia nor proclaimed a state of emergency in that republic.

Russian Interior Minister Boris GRYZLOV said Saturday that in May, federal police and Interior Ministry troops killed 106 rebel gunmen and detained 70 others in Chechnya. Spokesmen for the Chechen resistance told AFP on Sunday that they intend to continue targeting the Russian military in retaliation for intensified Russian reprisals in recent weeks against Chechen civilians. Two Russian police officers were shot dead the same day at Grozny's central market, RFE\RL Newsline reported. Another six militant heads on a wanted list and 533 people suspected as members of gunmen groups were also detained in the anti-terrorist operations in Chechnya last month. Police freed six hostages in Chechnya during the same period, seized a large quantity of ammunition, eliminated 958 illegal mini-oil refineries and found 29 stolen cars. An Army spokesman announced that since January, Russian Interior Ministry troops have lost 62 servicemen and 253 have been injured. According to official Russian military records 5,835 Russian soldiers died in the first Chechen war and 3,108 have died so far in the second Chechen war with no end in sight.

Meanwhile, a group of 16 people fleeing Chechnya have applied for asylum in Lithuania. They were subsequently taken to an immigration center in nearby Pabrade. Processing the asylum applications

could take six months, but could be expedited to as few as three months if the authorities find merit in the requests, an official said. "They have a well-founded fear of persecution in their country. We don't know at this moment what kind of persecution," the official said. The UN said last month that more than 300,000 people remained homeless from Russia's 20-month military campaign in Chechnya amid miserable conditions. Georgian President Eduard SHEVARDNADZE has proposed that the estimated 7,000 Chechen refugees currently in Georgia be repatriated to Chechnya. He said that Russia should provide financial assistance to those willing to return.

### Soros Says Free Press In Danger

- US financier George SOROS said on Friday that the press freedom in Russia is in danger. In an interview with Kommersant Daily, he said, "Russia has freedom of the press, but it is in danger because a consolidation of property under economic pressure is taking place. Companies control media for political goals and not for business purposes. This is very difficult for independent media." Liberals have accused Russian President Vladimir PUTIN of trying to silence independent media critical of the Kremlin, citing the takeover of the NTV television station by a state-dominated gas company, *Gazprom*, on the grounds of unpaid debts. SOROS said PUTIN's stated aim of having a "dictatorship of the law" in Russia was also a danger signal. "What happened with NTV was dictatorship of the law. Therefore, the situation is this: the prospect of Russia becoming an open society is in danger, but all is not yet lost," he said. PUTIN has said he means that laws should be applied equally for all, without the kind of corrupt chaos and red tape that has plagued post-Soviet Russia. Liberals took his words to mean a rolling back of democratic freedoms.

### Economy

<p><b>Ruble = 29.15/\$1.00 (NY rate)</b>  <b>Ruble = 29.16/\$1.00 (CB rate)</b>  <b>Ruble = 24.64/1 euro (CB rate)</b></p>
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### Russia Raises Export Oil Tariff

- The Russian government raised oil export duties from 22 euros to 30.5 euros per ton. The average price for one barrel of Russian oil on world exchanges fluctuated between \$25 and \$32 over the past

two months. According to the approved scale of oil export duties, the tariff of 27 euros per ton of oil is in line with this price. The figure of 30.5 euros was selected up after the tariff of 27 euros was indexed by 13 percent. The government decree, signed by Prime Minister Mikhail KASYANOV, will enter into force one month after its official publication, Rossiiskaya Gazeta. The crude oil export tariff is set in euros once every two months and is pegged to the price of Russian Urals blend. Trade and Economy Minister German GREF chaired Friday's meeting of Russia's Commission on Protective Measures in Foreign Trade, which sets the tariffs, in the absence of its head, Finance Minister Alexei KUDRIN. The commission also decided on Friday to leave export tariffs on fuel oil unchanged at 20 euros a tons, diesel oil, naphtha and gasoline at 39 euros a ton, and natural gas at 10 percent of its customs value, Reuters reported.

### Business

#### Gusinsky Hands Over Radio Stake To Staff

- *Media Most's* exiled chairman Vladimir GUSINSKY has handed over his remaining 14.5 percent stake in Russia's *Ekho Moskvy* to the radio station's staff in an effort to protect the station's independence. The handover came just prior to a Moscow court ruling that GUSINSKY's *Media Most* hold company should be liquidated. Alexei VENEDIKTOV said the journalists now wanted to secure a controlling stake in the station and then attract a foreign investor to help it fight off any threat to its independence. VENEDIKTOV said *Ekho Moskvy's* journalists have a 42.6 percent stake in the station and *Gazprom* had 25 percent plus one share. Still in dispute between *Media Most* and *Gazprom* is a 25 percent *Media Most* share frozen by the courts. If *Gazprom* were to acquire that disputed share, it would control the station. GUSINSKY, who won a battle in a Spanish court to avoid extradition to Russia on fraud charges earlier this year, lost his NTV television station to the state-dominated gas giant, *Gazprom*, in April. His daily newspaper was shut and the staff at his weekly news magazine ousted in what he said was part of a Kremlin-backed drive to crush free media. *Ekho Moskvy* is the only major GUSINSKY media outlet still operating.

#### Gas Pipeline Bypassing Ukraine Approved

- A route of a new gas pipeline from Russia to

Europe via Poland and Slovakia bypassing Ukraine has been approved, a *Gazprom* officer Yuri KOMAROV announced today at a briefing. The approved plan coincides with the initial plan proposed by *Gazprom*, but it underwent some changes in order to exclude the construction of a pipeline in the territory of Polish national parks. The pipeline will pass through the town of Kobrin in Belarus to Kapushan in Poland. Participants of the project are considering sources for financing the construction of the pipeline. A consortium that consists of *Gazprom*, German *Ruhrgas* and *Wintershall* and some other European companies will conduct the construction of the gas pipeline. The new pipeline will provide for new ways of gas exports to Europe and eliminate *Gazprom's* dependence on supplies via Ukraine.

Gazprom is forecasting export revenues of \$13.6 billion in 2001 against \$12.5 billion last year, KOMAROV said. He added that export revenues for the first five months of the year had grown to \$6.5 billion from \$4.7 billion in the same period of 2000. "The trend is that the peak on gas prices has already passed, but all the same, revenues this year will grow nine to 10 percent," KOMAROV said. Gas exports were seen stable at 130 billion cubic meters (bcm).

#### **Ulyanovskenergo Accounts Seized**

- Court officials seized accounts of the *Ulyanovskenergo* energy company in accordance with suits brought by the company's suppliers. "It is almost impossible to prepare the energy sphere for winter in the situation of a financial blockade," *Ulyanovskenergo* representatives stressed. The company's officials say that debts of regional housing institutions had initiated this crisis. In general, their debt totals 80 percent of all debts to the energy sector. As of today, only 25 percent have already been paid off. However, some institutions "haven't paid a kopeck" in May. The company intends to begin rotating power cut-offs in the middle of June.

### EUROPEAN REPUBLICS

#### **Lithuania Joins World Trade Organization**

- Lithuania became the 141<sup>st</sup> member of the World Trade Organization (WTO) on Thursday. The Baltic state's entry took effect 30 days after it

notified the Geneva-based body that the parliament in Vilnius ratified the entry agreement it negotiated with countries already in the WTO. Lithuania's neighbors Latvia and Estonia are already members of the WTO. About half the 15 republics of the old Soviet Union are now members of the WTO, but Russia and Ukraine, the two powerhouses of the former communist state, must still complete entry negotiations after several years of talks.

#### **WB May Put Lithuanian Loan On Hold**

- The World Bank on Friday said it may postpone the second installment of its structural adjustment loan to Lithuania because of slow reforms in the restructuring and eventual privatization of the energy sector. In 2000, the World Bank approved an 11-year, \$100 million structural adjustment loan for Lithuania. The first \$50 million installment was disbursed last summer with the second one expected to come in July. Mantas NOCIUS, a local World Bank representative, told Reuters, "We will not be in a position to disburse the second tranche in July as initially envisaged as the reforms are not proceeding as fast as we and the government would like." The Bank's loan is aimed at supporting five inter-related areas of reform, budget management, pensions, private sector development, energy and agriculture. Lithuanian officials plan to put on sale its gas monopoly *Lietuvos Dujos* in early summer and to restructure power utility *Lietuvos Energija* before eventual privatization in the fall. However, NOCIUS said the funds could be disbursed later this year as the government catches up with the reform. The restructuring of power utilities is six months behind schedule because the government has failed to agree with the parliament on a restructuring program to split the utility into transmission, distribution and generation firms.

#### **Ukrainian-Polish Economic Forum Opens**

- Ukrainian President Leonid KUCHMA and his Polish counterpart Alexander KWASNIEWSKI, who are in Dnepropetrovsk to attend the fourth bilateral economic forum, will discuss a broad range of bilateral issues. KUCHMA said the significance of the Dnepropetrovsk forum is not only economic. "Poland is one of our most reliable partners. [This partner is] also the pointer of the way to the European community for Ukraine," he said. Director of the Department for European Integration and economic and humanitarian cooperation Nikolai

MAIMESKUL said that a delegation from Lithuania headed by President Valdas ADAMKUS has been invited to attend the event. The idea of these meetings was originated in May, 1997, during Alexander KWASNIEWSKI's visit to Ukraine.

### ~~SOUTH CAUCASUS & CENTRAL ASIA~~

#### ~~Turkey-Georgia Sign \$2.6M Aid Protocol~~

- Chief of Logistics at the General Staff of Turkey's Armed Forces Major-General Unal Onsi SAHIOGLU and Georgia's Deputy Defense Minister Gela BEZHUASHVILI today signed a protocol where by Turkey would grant \$2.6 million of free military aid to the Georgian Defense Ministry. Part of the Turkish grant will be used to modernize and develop the 11<sup>th</sup> motorized rifle brigade, the Marneuli military airfield, and a Tbilisi-based military academy. Of the total grant, \$500,000 will be allocated to Georgia's Border Department. This is a fourth grant given to Georgia's Armed Forces by the Turkish government. SAHIOGLU will also hold meetings during his visit with Defense Minister David TEVZADZE and Chief of the General Staff of the Armed Forces Dzhoni PIRTSKHALAISHVILI to discuss the development of bilateral military cooperation. The US Department of Defense will deliver 10 Huey helicopters to the Georgian Defense Ministry this August.

#### **Balkan States To Join GUUAM?**

- Georgian President Eduard SHEVARDNADZE believes that a number of Balkan states, specifically Bulgaria and Romania, could join in future GUUAM, a regional organization which incorporates Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova. In his weekly radio address, SHEVARDNADZE said that, "consultations on this problem would be held during his visit to Romania scheduled in the next few months." Georgian Foreign Ministry spokesman Kakha SIKHARULIDZE suggested that Russia and Armenia are seeking to gain observer status in GUUAM. Russian President Vladimir PUTIN, at the Commonwealth of Independent States' (CIS) summit in Minsk, noted that organizations such as

GUUAM and the Eurasian Economic Community (EEC) complement the CIS rather than weaken it, RFEVRL Newline reported. On the sidelines of the CIS summit, Ukrainian Foreign Minister Anatoly ZLENKO said that an agreement on creating a free-trade zone will be signed. The GUUAM charter and convention will also be signed. The GUUAM goals and its character make it an organization similar to the Organization for Black Sea Economic Cooperation, SHEVARDNADZE said.

#### **Azeri Protestors Clash With Police**

- Azeri police clashed with more than 150 demonstrators who were demanding the release of political prisoners on Saturday. A Reuters correspondent saw about 300 riot police with shields, batons and helmets move into a central square of the city, halting the unauthorized protest. Police detained 18 and injured several activists. The demonstrators led by the opposition Democratic Party believe that Azeri President Geidar ALIYEV has imprisoned people for political reasons. ALIYEV's government rejects the accusations.

Democratic Party general-secretary Sardar DZHALALOGLU said, "Our demands are giving Azeri citizens their constitutional rights and freedom for political prisoners." The protesters were also demanding an end to what they call the persecution of former parliament speaker Rasul GULIYEV, who has been indicted for corruption and lives in the US. He has been charged with the embezzlement of state property worth \$74 million. Similar small demonstrations have been organized periodically in Baku. DZHALALOGLU said the demonstrators will continue their protests, adding that in the future his party will use, "a more thought-out and serious tactic in order to secure the success" of such actions, Itar-Tass reported.

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