

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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Daily intelligence briefing on the
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RUSSIAN FEDERATION

Politics

Foreign Min. Communications Official Killed

- Senior Russian Foreign Ministry official Vladimir VASILYEV was found stabbed to death in his Moscow apartment. The body was discovered on Tuesday, two to three days after the actual slaying, Moscow police spokesman Yevgeny GILDEYEV said today. He did not elaborate on possible motives. VASILYEV was the deputy director of the ministry's special communications department, which provides secure communication channels for Russian diplomats and government offices.

Bomb Injures Four In Stavropol

- Four people were injured in a bomb explosion in a shop in Stavropol on Tuesday, according to an official in the office of Kremlin spokesman Sergei YASTRZHEMBSKY. Local police have already prepared sketches of those suspected of planting the bomb, in a trashcan. YASTRZHEMBSKY's office in its initial reports did not include evidence of a link between the blast and the long-running conflict in Chechnya. Bombings of shops in Russia are often linked to business disputes.

Rebels Kill Another Pro-Moscow Official

- Chechen rebels assassinated the deputy head Sary Atagi Avadi BASHAYEV, a pro-Moscow Chechen administrator. BASHAYEV was killed in his home as he prepared for evening prayers on Monday. Chechen rebels have threatened to assassinate Chechens who cooperate with Russian forces. Interfax said unknown men had also thrown a grenade into a Russian police jeep, killing three and wounding a fourth in the Shyolkovskaya district, a part of Chechnya seen as among those most firmly under Russian control. The head of the Russian administration for Chechnya, Akhmad

KADYROV, called on Tuesday for greater efforts to investigate crimes by Russian troops against civilians. The army has said 10 people were hurt when Russian police detained hundreds of men in the western Chechen villages of Assinovskaya and Sernovodsk earlier this month. Human rights groups have said the numbers were higher. On Monday, the commander of Russian forces in the region said three Russian commanders had been censured over the operations. KADYROV said, "The counter-terrorist operation is being carried out against bandits, terrorists and kidnappers and not against civilians. No violation of human rights, to say nothing of inflicting bodily harm, should be ignored if we want to restore peace to Chechnya."

Russia Releases List Of Closed Cities

- Russian Prime Minister Mikhail KASYANOV signed a decree, published in the government daily Rossiyskaya Gazeta on July 11th, calling for the release of a list of about 90 cities, towns, and villages, which were closed cities in the Soviet-era due to security reasons. KASYANOV said the order was intended to officially establish the names of the settlements. The list includes the nuclear centers of Zheleznogorsk in Siberia and Snezhinsk in the Ural Mountains, the chemical center in Shikhany in the Volga River region, and the Arctic naval bases of Polyarny, Severomorsk and Vidyayevo. All the sites on the list have been closed to visitors since Soviet times. But in the Soviet era, their residents often enjoyed high wages and other government

privileges; now many are struggling for survival, with diminished government subsidies since the 1991 Soviet collapse.

Economy

<p>Ruble = 29.21/\$1.00 (NY rate) Ruble = 29.24/\$1.00 (CB rate) Ruble = 25.49/1 euro (CB rate)</p>
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Russia Turns Down \$80M WB Loan

- Russia has turned down an \$80 million loan from the World Bank saying it needed to be approved by parliament. Government officials were not immediately available for comment. The World Bank in Moscow declined to comment, but sources close to the talks confirmed the information. On Thursday, the government's press-service and the World Bank said Bank head James WOLFENSOHN and Deputy Prime Minister Viktor KHRISTENKO had signed the loan on July 11th to help people move from Russia's desolate northern regions. However, after a Cabinet meeting on Thursday, the Vedomosti quoted government sources as saying a decision had been made to reject the loan due to a budget code clause, which requires parliamentary approval of all foreign loans of more than \$10 million. In June, the World Bank said the Russian government had blocked talks over a \$100 million loan earmarked for tuberculosis assistance for treatment and diagnosis, apparently fearing competition from foreign firms could hurt the local pharmaceutical industry. WOLFENSOHN met Prime Minister Mikhail KASYANOV and other government officials. WOLFENSOHN has also signed an agreement on another \$200 million in loan guarantees to help businesses in Siberia. He has also signed an \$50 million loan for education reform, an \$85 million credit for city heating system reconstruction, and an \$122 million loan for a municipal water supply project.

Business

LUKoil To Buy Canada's Bitech

- Russia's largest oil producer, *LUKoil*, on Tuesday announced it was buying Toronto-listed *Bitech Petroleum Corp* in a C\$123 million (\$80 million) recommended cash offer. The companies said in a joint statement that the offer, at C\$1.55 per share, was at a 99 percent premium to *Bitech's*

Monday closing price of 78 Canadian cents. *LUKoil* said it would use existing cash resources to buy *Bitech*, a Canadian oil exploration and production company with operations mainly in Russia's Komi Republic. *LUKoil* President Vagit ALEKPEROV said the acquisition matched his company's strategy of consolidating its position in several core operating regions within Russia, while expanding internationally into North Africa and the Middle East, Reuters reported. *Bitech* reported net income of \$952,000, or \$0.01 per share, on revenue of \$11.52 million in the first quarter ended March 31st. The company averaged daily production of 7,928 barrels of crude during the quarter, mostly from Russia. *Bitech* also has production or exploration licenses in Egypt, Morocco, Tunisia and Colombia.

Lenenergo Receives St. Petersburg Credit

- The St. Petersburg-based subsidiary of the Central Bank has released another 100 million-ruble (about \$3.4 million) credit to *Lenenergo*, RosBusinessConsulting reported. This money was allocated to conduct repair works, purchase fuel for an upcoming heating period, and pay all fees to *Unified Energy System of Russia (UES)*. In December, 2000, the Central Bank gave a credit worth 150 million rubles (about \$5.1 million) to *Lenenergo*. That credit was repaid on June 15th. Last February, the energy company, received another 30 million-ruble (about \$1 million) credit from the Central Bank to ensure electricity supplies in St. Petersburg.

Gazprom To Sell Radio Shares To Yasin

- Government-controlled natural gas giant *Gazprom*, through its subsidiary *Gazprom Media*, has agreed to sell some of its shares in radio station *Ekho Moskvyy* to a commentator for the broadcaster, Yevgeny YASIN. The 9.5 percent stake will not be sold to the radio station's staff, as journalists originally wanted, but to YASIN, a former economics minister and liberal politician who is the host of a radio program. *Ekho Moskvyy* chief editor Alexei VENEDIKTOV said this will leave both the journalists and *Gazprom Media* with about 42.5 percent each, the Associated Press reported. Both sides described the deal as a reasonable compromise. However, YASIN is not obligated to back other *Ekho Moskvyy* journalists in voting with his shares, and could side with *Gazprom*. The value of the *Ekho Moskvyy* deal was not disclosed, but the sides said

it involved a large amount of money.

EUROPEAN REPUBLICS

US Obtains Evidence of Belarus Death Squad

• The US on Tuesday granted political asylum to Belarus investigators Dmitry PETRUSHKEVICH and Oleg SLUCHEK, who testified that Belarus President Alexander LUKASHENKO or members of his entourage are running a death squad. State Department spokesman Charles HUNTER said the two revealed detailed information that the death squad could be responsible for as many as 30 murders. PETRUSHKEVICH had been helping investigate the disappearance a year ago of Dmitry ZAVADSKY, a cameraman with a Russian station. Once he was LUKASHENKO's personal cameraman but fell from grace after being detained over a report on smuggling to Lithuania, and was seen as a presidential critic. During the investigation, PETRUSHKEVICH and SLUCHEK came to fear for their lives after a witness was killed and another investigator died suddenly, Reuters reported. The death squad is made up of elite, maroon-bereted troops called Almaz. Its mission is to deal with opposition figures, critics and members of the underworld. The US has expressed concern over the number of missing dissidents and reports including, ZAVADSKY, former Interior Minister Yuri ZAKHARENKO, former Central Election Commission chairman Victor GONCHAR and his associate, Yuri KRASOVSKY. RFE\RL's Washington bureau today hosted a briefing with several of the wives of missing and presumed dead opposition members. They are convinced that a fair and thorough investigation is impossible under the current administration. The wives have appealed to the US for support in trying to set up an international commission to fully investigate each case. They would like the US to influence Russia into pressuring Belarus to investigate the cases and punish criminals. They believe Russia is the only nation with enough influence over LUKASHENKO to effectively gain positive results. HUNTER said, "Belarus authorities need to account for these people in order to remove the current climate of fear and create an atmosphere conducive to free and fair presidential elections," in September. On Tuesday, presidential candidate Vladimir GONTCHARIK released an Interior Ministry report to the press, which accuses State Prosecutor Vladimir SHEIMAN

of arranging the murder of ZAKHARENKO in May, 1999, and those of GONTCHAR and businessman Anatoly KRASOVSKI in September, 1999. A deputy prosecutor said the document is, "false and an electoral provocation by the opposition that aims to compromise the President and his aides," Agence France Presse reported.

Ukraine To Pay Paris Club \$160M In 2001

• Ukrainian Finance Minister Igor MITYUKOV on Tuesday said his nation will pay \$160 million in interest on its obligations to the Paris Club this year and more than \$200 million in 2002. Ukraine, which was originally seeking to restructure \$1 billion in debt to the Paris Club, struck a deal earlier this month with the sovereign creditors to reschedule \$580 million for 12 years, with a three-year grace period. MITYUKOV said the balance on the \$1 billion it had sought to restructure was payments which would have to be made in 2001 and 2002. Analysts hailed the deal with the Paris Club, which lowered Ukraine's foreign debt payments and gave Ukraine an opportunity to speed up structural reforms and support a fragile economic recovery. MITYUKOV also said the deal with the Paris Club would allow Ukraine to start official negotiations on restructuring \$270 million in debts for natural gas supplies to Turkmenistan. The debt deal is still contingent on Ukraine and the International Monetary Fund (IMF) reaching an agreement to resume its \$2.6 billion loan program.

Ukrainian Security Council Chief In Moscow

• Russian President Vladimir PUTIN met with Yevgeny MARCHUK, Secretary of the Ukrainian National Security Council, in the Kremlin today. They discussed the enlargement of cooperation between Russia and Ukraine within the Commonwealth of Independent States (CIS). PUTIN and MARCHUK agreed to increase joint measures aimed against international crime, terrorism and illegal drug trafficking. Russian Security Council head Vladimir RUSHAILO also participated in these negotiations, RTR television reported. PUTIN praised his Ukrainian counterpart, Leonid KUCHMA, for displaying political will in resolving border disputes. The Russian President will meet his Ukrainian counterpart during his visit to Kiev.

SOUTH CAUCASUS & CENTRAL ASIA

Georgia Fails To Agree On Election Code

- The Citizens Union of Georgia Party (CUG) and the opposition failed on Tuesday to reach an agreement on a new Election Code at a parliamentary committee meeting for judicial, legality, and administrative reforms. Chairman of the committee Zurab ADEISHVILI said that because the committee did not reach an agreement, the Election Code will not be discussed at a special session of parliament today. Under the CUG plan, Central, Regional and District Election Commissions must be formed by representatives of non-governmental organizations (NGOs). A special parliamentary commission would choose the NGOs, consisting of representatives of the political parties, which passed the 7 percent barrier in the 1999 parliamentary elections. These parties are CUG, Revival Bloc of Georgia, and Industry Saves Georgia, Prime News Agency reported.

Moscow Talks Over Gudauta Failed

- Tuesday's negotiations held in Moscow on handing over the Russian military base in Gudauta to Georgia failed. According to Georgia's Deputy Defense Minister Georgy BURDULI, Moscow insists on keeping 350 Russian troops on the base until it is completely handed over to the Georgian officials. Tbilisi is categorically rejecting this proposal. The Gudauta base issue was on the top of the agenda at the Georgian parliament session today.

In his speech, BURDULI said Russia's Vice Prime Minister Ilya KHLEBANOV lied, when he said that Moscow prepared all the documents required to hand over the base. If the provisions of an international agreement are not complied with, BURDULI said, this agreement makes no sense. Russia has violated the Organization for Security and Cooperation in Europe (OSCE) agreement reached at the 1999 Istanbul summit to withdraw from Gudauta by July 1, 2001. However, he said, Russia is accusing Tbilisi of not complying with Article 3 of the agreement which states that Georgia must ensure the

security of the hand over process. BURDULI stated that Georgia will not agree to change the base into a rehabilitation center for the Russian peacekeepers. He also noted that Georgia and donor-countries had allocated \$10 million to withdraw the Russian military base from Gudauta.

The negotiations between KHLEBANOV and Georgia's Foreign Minister Irakli MENAGARISHVILI on the Gudauta military base will be resumed in Moscow in late July, Prime-News Agency reported.

EU Urges Reforms In Kazakh, Kyrgyzstan

- The European Union (EU) told the Central Asian republics of Kazakhstan and Kyrgyzstan on Tuesday that economic reforms should go "hand in hand" with respect for human rights and democratic freedoms. EU officials delivered the message during separate rounds of talks with delegations from Kazakhstan and Kyrgyzstan. One EU diplomat explained, "To provide a solid basis for foreign investment you need to give assurances on democratic freedoms and human rights." He added that corruption was more likely to flourish where the media was muzzled. The EU side, led by Belgian State Secretary for Foreign Affairs Annemie NEYTS, said both Kazakhstan and Kyrgyzstan needed to remove barriers to foreign investment and trade, Reuters reported. Kyrgyz President Askar AKAYEV, once hailed as a democrat, has been widely criticized for failing to hold free and fair elections last year and for his intolerance of opposition. The EU commended its moratorium on the death penalty, but said Kyrgyzstan should try to diversify its economy, still heavily reliant on gold which accounts for 95 percent of EU imports from the republic. Both Kazakhstan and Kyrgyzstan vowed to cooperate with the EU in fighting international crime, including the drugs trade.

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