

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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RUSSIAN FEDERATION

Politics

Chechen Rebels Leader Killed In Shootout

• Chechen rebel field commander Magomed TSAGARAYEV was killed on Sunday in a shootout with Chechen police. He died of fatal wounds to the head and chest in the clash. Interfax news agency reported that the gun battle erupted after TSAGARAYEV and several members of his unit had broken into a house in the ruined capital and shot two policemen living there. Russia has sent Commander of federal troops in Chechnya, General Vladimir MOLTENSKY, other senior commanders, and officials of the prosecutor's office to the scene. Relatives of TSAGARAYEV and other people who knew him well were summoned to identify his body. TSAGARAYEV controlled almost 90 percent of small rebel groups operating in Grozny and the foothills. He was accused of consistently organizing terrorist acts and sabotage in Grozny. Itar-Tass said TSAGARAYEV was staying in Georgia two weeks ago, when warlord Ruslan GELAYEV summoned him for questions over his suspected involvement in the murder of one of GELAYEV's relatives. This could not be confirmed.

Chechen rebels opened fire after detonating a land mine under a Russian armored personnel carrier Saturday, killing three soldiers and a policeman and injuring 11 others, officials said. Five other soldiers were killed and 13 wounded in separate land mine explosions and rebel attacks over the previous 24 hours. Rebels then attacked the vehicle, using rifles and grenade launchers. The land mine was detonated by remote control by the rebels, according to soldiers manning the nearby checkpoint in central Grozny. In 17 other attacks on Russian positions and checkpoints, two soldiers were killed and three wounded. Russian troops and riot police searched

for rebels in the village of Shalazhi in the Urus-Martan district, 12 miles southwest of Grozny, and detained one suspect, officials said Saturday.

Meanwhile, Interfax reported newly appointed mayor of Grozny Oleg ZHIDKOV began work on Monday. Former mayor Bislav GANTAMIROV stepped down in May.

Russia Pledges \$20 Million For AIDS Fund

• Russian Finance Minister Alexei KUDRIN Friday announced that Russia has pledged about \$20 million to an international fund to fight the AIDS epidemic. He said, "Russia will give 600 million rubles. That's about \$20 million." Russian President Vladimir PUTIN was among the Group of Eight leaders who announced the creation of a global AIDS fund with UN Secretary General Kofi ANNAN in the Italian city of Genoa. ANNAN has called for \$7 billion to \$10 billion a year for a fund to stop the disease. Several Western countries have made pledges of a few hundred million each so far, amounts seen by AIDS activists as paltry. Russia was late to suffer from the AIDS epidemic, but has seen an explosion of AIDS and HIV cases in the past few years. In 2000, the Russian government revealed the country had 31,000 HIV-infected individuals. That number has since been revised upwards to 70,000.

The World Health Organization (WHO) believes the real number is 10 times higher. Russia's top AIDS expert was quoted by RIA News Agency as saying on November 27, 2000 that Russia may have millions of

HIV cases by the end of 2003. Vadim POKROVSKIY, a member of Russia's Academy of Medical Science and the director of the Russian center for prevention of AIDS stated that 699 people have died of AIDS so far in Russia, 113 of whom were children. He puts the real number of AIDS cases at 300,000 to 400,000. Russia and Ukraine have the fastest-growing AIDS epidemics in Europe. The epidemic in Russia is still confined mainly to intravenous drug users, but officials warn that it could quickly spread to the population at large, potentially affecting millions. Some 93 percent of those infected are intravenous drug users. Regions with the largest number of registered cases are Moscow city and oblast, and Irkutsk, Tyumen, and Kaliningrad Oblasts. The Kremlin's anti-AIDS program, adopted in 1996, did not receive any funding until 1999. The program received only one-fifth its approved funding for 2000. According to a November, 2000 RFE/RL Russian Report, only 20 percent of the 82 million rubles (\$2.9 million) set aside for a federal program to combat AIDS has been disbursed, and most of that money went toward buying and distributing AIDS prevention kits. Unless Russian authorities act decisively, increasing rates of HIV infection and AIDS cases will accelerate Russia's already devastating demographic crisis.

Economy

<p>Ruble = 29.28/\$1.00 (NY rate) Ruble = 29.27/\$1.00 (CB rate) Ruble = 25.41/1 euro (CB rate)</p>
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G8 Support Russian Membership In WTO

- Russian President Vladimir PUTIN said today that partners in the Group of Eight industrialized states (G8) support Russia's entry to the World Trade Organization (WTO) on favorable conditions. The Kremlin press service PUTIN made the statement at a meeting with ministers, after returning from the G8 summit in Genoa. The support of Britain, Canada, France, Germany, Italy, Japan, and the US is vital for Russia's bid to join the world trading system. Moscow has aimed to join the WTO in 2002 or 2003, but insists it needs a grace period to adapt its legislation to world standards as abrupt changes could hurt Russia's economy. "Accession to the WTO should benefit our economy, not harm it," RIANovosti news agency quoted PUTIN as saying. Russia put a bid to become part of the WTO in 1993

and hoped for quick accession. However, Russia's protracted talks on accession were stalled last month when the WTO put forward fresh demands that Russia should adjust all its legislation to the WTO standards before further talks could proceed. PUTIN has said earlier this year that joining the WTO was a top priority for his administration and set the end of 2001 as the deadline to complete all talks needed to join it.

Russian To Pay Eurobond

- Russia will transfer to international creditors \$320.53 million in interest on sovereign Eurobonds maturing in 2005 and 2018, a Finance Ministry spokesman told Reuters. "The funds are reserved. *Vneshekonombank* [Russia's foreign debt agent] is instructed to transfer them to *Citibank* today," he said. The payment day for the two semiannual coupons is July 24th.

Russia To Pay Paris Debt

- Russia's Deputy Prime Minister and Finance Minister Alexei KUDRIN, in an interview with The Wall Street Journal, said that Russia will pay off its debt to the Paris Club of Creditors regardless of oil price changes and the West's reluctance to reschedule repayment of the nearly \$40 billion it owes to the organization. Against the background of Russia's repaying \$19.5 billion of foreign debt in 2003, KUDRIN said Russia felt deceived by false promises given by Western governments to reduce what was owed. He said, "We believe that Western countries who promised to support rescheduling have disorientated Russia at a certain moment by changing their position." The article noted that Russia could manage even without its foreign debt being rescheduled to fulfill all its liabilities. KUDRIN said that Russia would seek help from the International Monetary Fund (IMF) only as a last resort. "Russia no longer counts on debt rescheduling, and the West should help Russia, removing trade restrictions and rendering assistance to Russia's earliest accession to the World Trade Organization," he was reported as saying. The report said KUDRIN believed inflation rates in Russia this year would range from 16 to 18 percent and that next year, they would fall to 12 percent.

Business

Ruhrgas To Participate In Rus-China Pipeline

- Germany's biggest gas supplier Ruhrgas is ex-

pected to participate in a planned several-billion-dollar gas pipeline project in China with Russia's *Gazprom*, *Handelsblatt* reported on Sunday. The German business daily said in a preview of the article that *Ruhrgas* had until Monday to tell Beijing whether it would commit financially to the deal. It noted that heavily indebted *Gazprom* was turning to European partners such as *Ruhrgas*, *Gaz de France*, and the gas subsidiary of Italian energy group *Eni*, *Snam*, for help. Intensive negotiations are underway. *Ruhrgas* officials were not immediately available for comment. *Ruhrgas*' largest shareholders include British-based oil company *BP*, which last week agreed to sell a 25.5-percent stake in *Ruhrgas* to Europe's second largest listed utility *E.ON*. Foreigners hold an 11-percent stake in *Gazprom*, the world's largest gas company. *Ruhrgas* holds the largest stake, five percent. Earlier this month *Gazprom* held talks with Chinese officials to discuss future energy cooperation between Russia and China, including potential cooperation in the planned West-East pipeline within China's borders.

Slavneft To Develop Sudanese Oil Field

- Russian-Belarus oil firm *Slavneft* on Friday announced it has signed a joint venture deal to develop an oil field in Sudan and was now waiting for a production sharing agreement (PSA). The field is one of four offered by the African country but no details on reserves were given. According to a company statement, "*Slavneft's* team has been interpreting the geological and geophysical data for the ninth oil and gas block and discovered the possibility of the existence of several oil fields." The company said it had agreed to create a joint venture with the Sudanese government and to sign a PSA before the end of 2001. It will also finance the first exploration stage, scheduled to begin within the next six months. *Slavneft* said earlier it had been offered data from the ninth and 11th blocks in central Sudan, as well as the offshore 15th block on the Red Sea. It said it was also considering a stake in the international consortium exploring the Melut basin in southern Sudan. The consortium includes Qatar's *Gulf Petroleum*, China's *CNPC* and Sudan's state oil firm *Sudapetec*. *Greater Nile Petroleum Operating Company Ltd (GNPOC)* operates that Unity field, where crude is produced at the rate of 225,000 barrels per day (bpd). The project unites Canada's *Talisman Energy Inc* with

25 percent, Malaysia's *Petronas* with 30 percent, and *CNPC* with 40 percent. *Sudapetec* holds five percent. International oil companies operating in Sudan have come under fire from human rights organizations which say revenues from crude exports are financing a war between the Arab north and secessionist rebels from the black African south, Reuters reported.

EUROPEAN REPUBLICS

Belarus Sentences German Spy

- A Belarus military court on Saturday convicted Christopher LETZ, a German citizen and professor at an American military institution, to seven years in prison for espionage. This is the first foreign spy case in Belarus since its independence. Russian news agencies said LETZ was arrested in Moscow in September by Russia's Federal Security Service (FSB) at the request of Belarus' security forces, still known by the Soviet-era acronym KGB. Russian news reports described LETZ as a former teacher at the Marshall Center for Security Studies in Germany, which researches global security issues. In Belarus, LETZ maintained contact with the Minsk Academy of Information Sciences where he worked as a visiting professor. According to the prosecution, LETZ had recruited a group of Belarus nationals, who worked as agents under his guidance. The Belarus media had said earlier that LETZ was carrying a laptop computer with secret codes at the time of his arrest, UPI reported. He reportedly did not admit his guilt, but did ask to be forgiven. LETZ's lawyer, Vasily KOZLOV, told Russia's *NTV Television* that he hoped for a pardon from Belarus President Alexander LUKASHENKO. *Kommersant Daily* suggested that the Belarus President is using LETZ to try to blackmail the West, as he has hinted he might pardon LETZ, providing the West, "stop interfering in the Belarus elections," RFE\RL Newline reported. He accuses the west of sending spies to fund and train his opposition.

TNK-Ukraine Presents Proposal To Cabinet

- The major Ukrainian refining company *TNK-Ukraine* made a proposal to Ukraine's Cabinet to produce oil in the major Ukrainian company *Ukrneft*

together, president of *TNK-Ukraine* Alexander GORODETSKY said. According to him, experts of the Russia-based *TNK (Tyumen oil company)* may be attracted to the process of producing oil in Ukraine, as well as invest their money in the project. In addition, *TNK* is thinking of attracting Ukrainian experts to oil production in West Siberia, FINPORT. NET reported. GOREDETSKY stressed that *TNK* is ready to purchase a 50 percent stake plus one share of *Ukrneft* from the state, if the latter decides to privatize them. *Ukrneft* is the largest oil producing company in Ukraine. It produces about 75 percent of oil and gas of Ukraine. In 2000, the company reduced its volume of production by 2.9 percent to 2.865 million tons, compared to 1998.

Estonia Expects Inflation Slowdown

- The Estonian Finance Ministry today expects the pace of rising consumer prices in the country to slow in the second half of 2001. According to a statement, "The ministry expects a slowdown of the annual inflation rate in second half of the year. This will be influenced by an expected decline in fuel prices and lesser impact of [livestock] epidemics [in Europe]." The Estonian statistics office said first quarter consumer prices rose 1.6 percent, quarter-on-quarter, on the back of increases in food, housing and fuel prices, to put the annual rate at 6.7 percent. Year-on-year inflation peaked this year in May at 6.9 percent, a level sustained in June.

SOUTH CAUCASUS & CENTRAL ASIA

Georgian, Adjarian Delegations Visit China

- A six-member delegation of Georgian Armed Forces concluded their visit to China on Saturday. The visit was orchestrated at the invitation of the Head of General Staff of the Chinese Army FU Tsiuan. The Georgian delegation consists of the Head of the General Staff of Georgian Armed Forces Joni PITSKHALAISHVILI, head of special affairs group of the Defense Ministry Tamaz DUMBADZE, and Deputy Defense Minister Nugzar KEVKHISHVILI, Prime News Agency reported.

Meanwhile, Adjarian Chairman Aslan ABASHIDZE has departed for an eight-day visit to China. Revival faction deputy Hamlet CHIPASHVILI told Prime News Agency the Adjarian delegation will study the Chinese experience in developing a successful economy, including organizing free trade zones. In Guandon province, ABASHIDZE will discuss with local authorities the perspectives for creating tight contracts in economic and education spheres.

Georgia Searches For Chechen Radio Station

- Russia has requested that Georgian Secret Services track down the whereabouts of a supposed Chechen radio station operating from the Pankisi Gorge. Georgia's Commission on Communications "has no information on broadcasts by a Chechen radio station from the village of Duisi in the Pankisi gorge," a representative said on Friday. The Commission pointed out, "broadcasting of any radio station in Georgia without a license is regarded as illegal and the commission did not issue such a license to any Chechen radio station." Itar-Tass reported on Thursday the radio station "Independent Ichkeria" had started broadcasting near the Pankisi Gorge village, transmitting on a short-wave frequency in the Chechen and Russian languages. According to the Russian President's information service, the information center had been operating since last year. Broadcasts are said to reflect the words of top Chechen spokesman Movladi UDUGOV, when lies are passed off as truth and when the recent rout of gunmen in the Shara-Argun gorge was depicted as a major "military success for the Mujahideen." "The start of the radio station's broadcasts boosted the propaganda efforts of Chechen separatists entrenched in Georgia and freely preaching their extremist anti-Russian views," the Russian presidential information spokesman said. "Continuation of such practices will undoubtedly have a pernicious effect on Russian-Georgian relations." **Comment:** Russia's allegations of a Chechen radio station operating in the Pankisi Gorge appears to be another accusation being used as psychological warfare against the Georgians.

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