

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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RUSSIAN FEDERATION

Politics

Russia Investigates Rights Abuses In Chechnya

• Russian officials in Chechnya have opened an investigation into reports that federal troops engaged in looting and "tactless behavior" during a five-day sweep operation in Argun. Argun prosecutor Rostislav TIMSHIN told Interfax news agency that instances of such behavior has been established. Sergei BABKIN, local head of the Federal Security Service (FSB) domestic intelligence service, said some alleged wrongdoers had been identified. "If the facts are confirmed, the culprits will be punished," BABKIN told ITAR-TASS news agency but added that residents' complaints often proved to be exaggerated. Kommersant daily quoted BABKIN as saying 20 people had been killed and 60 detained during the house-to-house searches, which the newspaper said were aimed at rooting out KHAT-TAB, a top rebel commander of Arab origin. Russian President Vladimir PUTIN, in a recent interview with the Financial Times, said 20 Russian servicemen had been charged with rights violations. "The judiciary is operating in Chechnya," he said. "Our law enforcement agencies are fighting not only terrorists and separatists but also the military who commit crimes." He added the military operation had been scaled down. "What is happening there is the rehabilitation of peaceful life," PUTIN noted. Human rights groups repeatedly accuse Russian forces of excesses in Chechnya.

Russia To Build Nuclear Reactors

• Russia's Nuclear Power Minister Alexander RUMYANTSEV said at a news conference, "Russia's nuclear power industry is now coming through what can be called the post-Chernobyl renaissance." While fears of nuclear meltdowns have faded, the

need for power and electricity has increased. Russia will build at least four nuclear reactors in Russia and more in China, Iran, India, and Ukraine. In March, Russia launched its first nuclear reactor since the Chernobyl catastrophe, at the southern Rostov plant. Rostov's 1,000-megawatt reactor is of the VVER-1000 type using pressurized water to cool its fuel rods instead of the less-stable graphite used in RBMK reactors such as the one that exploded at Chernobyl. International industry trade groups and environmental watchdogs acknowledge the VVER-1000 model is the safest of Russia's reactors, but they say it is less reliable than modern Western counterparts. Next year, Russia will launch another nuclear reactor near the western city of Kursk, this one of the modernized RBMK type, RUMYANTSEV said. Russia has signed an agreement to build two reactors in Ukraine and single reactors in China, India, and Iran. The U.S. has long pushed Moscow to abandon its \$800 million deal with Tehran, voicing concern that Iran could use the technology to develop nuclear weapons. RUMYANTSEV said the Bushehr reactor would be finished by 2005 and reaffirmed that the project posed no risks for nuclear weapons proliferation. "It fully corresponds to all requirements of the international law and Russia's international obligations," he said.

British Security Guard Guilty Of Spying

•Raphael BRAVO, a security guard at *British Aerospace Ltd.*, on Monday pleaded guilty to charges of spying, admitting that he stole front-line NATO

defense secrets with the intention of offering them to Russia. He pleaded guilty to five charges under the Official Secrets Act. He admitted he illegally obtained secret state documents and communicated the information to a foreign power. He also admitted to four other charges of theft at the Old Bailey in London and asked for two additional charges to be taken into consideration. BRAVO will be sentenced on February 1st. He was arrested on August 22, 2000, in a police sting operation where an officer of the MI5 security service posed as a Russian agent seeking the secret documents. Prosecuting attorney Aftab JAFFERJEE said the case involved, "a security guard...who abused his position of trust while on night-time patrols by stealing documents and embarking on an enterprise to sell the secrets to a foreign power—in this case the Russians." A defense source said the documents contained information related to front-line defense systems used in Apache helicopters and Harrier jump jets. Other information referred to design specifications for Prophet Asic, an electronic warfare surveillance system, Reuters reported.

St. Petersburg Crew Criticized

- The Union of Rightist Forces (SPS) leader Boris NEMTSOV, at a party congress on Friday, criticized the large influx of St. Petersburg officials, who have been appointed to key positions in the Kremlin and the presidential administration. He also criticized Russian President Vladimir PUTIN's formation of a "St. Petersburg mafioso-group" as his personnel policy. According to NEMTSOV, Russia "needs professionals" and "that there are good people not only in St. Petersburg."

Meanwhile, SPS Co-chairman and *Unified Energy Systems (UES)* head Anatoly CHUBAIS, who is from St. Petersburg, responded that, "only a lazy politician does not disparage people coming from St. Petersburg these days, since there are such favorable grounds for this: St. Petersburg is not full of idiots," Interfax reported. In an interview with the *Financial Times*, PUTIN said that in terms of, "percentages of representatives of various regions in the government and the presidential administration you will not find many natives of St. Petersburg there." He added that not all the St. Petersburg officials were appointed by him. PUTIN explained, "When I came to work in Moscow a few years ago there was a pretty large group of people from St.

Petersburg here already. Of course, I know all of them. But they had got their jobs in the government, or in the capital in general, through channels that had nothing to do with me at all. I try to hire people for jobs in the central authorities based on their moral and professional qualities. I am trained to adhere to his principle." He later added, "of course it is much easier for me to take decision about hiring people based on what I know about these people from our joint work in St. Petersburg." PUTIN added that they are appointed based on their professional qualities as well.

New Poll On "Estrangement Index"

- The National Public Opinion Research Center has conducted a poll to measure the "estrangement index," in between Russian citizens and society and their governing bodies. According to the results of the poll, 92 percent of respondents are convinced that the majority of those leading the country, "try to use their position to get some personal benefits." Eighty six percent of Russians state, "People in power overall do not care what will happen to us," and 74 percent of respondents concluded, "no one seriously takes our opinion into consideration." Overall, according to the research, the Russian "estrangement index" is critical—this means we are still unbelievably far from a civil society, *Versty* reported.

Interior Min. Creates Database On Citizens

- The Russian Interior Ministry announced that by 2004 it plans to create a computerized database named the State Population Register that will list all Russian citizens and foreigners living on the territory of the Russian Federation, *RussianBusiness Consulting* reported. The rationale for establishing such a register was social security needs, but the database will also be available to law enforcement and medical institutions. It will cost 3.5 billion rubles (\$116 million), *RFEURL Newsline* reported.

Economy

<p>Ruble = 30.33/\$1.00 (NY rate) Ruble = 30.33/\$1.00 (CB rate) Ruble = 27.33/1 euro (CB rate)</p>
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Oil Prices Begin To Rise

- World oil prices are beginning to rise, following the confirmation of Russia's commitment to reduce oil exports in concert with the Organization of Pe-

troleum Exporting Countries (OPEC). European benchmark Brent crude oil rose 20 cents to \$19.26 per barrel by late morning in London, while U.S. crude futures climbed 23 cents to \$19.45. *LUKoil* President Vagit ALEKPEROV calmed market fears, sparked by rival exporter *Yukos*, that Russian companies might sidestep promised cuts in crude oil exports. ALEKPEROV said he was confident that Moscow would follow through with its pledge. He said the Russian oil companies will contribute to the cuts proportionally, according to crude production volumes. *LUKoil* will account for 20 percent to 22 percent of the country's 150,000 barrel per day (bpd) oil reduction. Norway has confirmed that it will cut exports by 150,000 bpd as well. OPEC, which controls two-thirds of world exports, has promised to slash 1.5 million bpd from its quotas if rival exporters contribute 500,000 bpd. ALEKPEROV said oil firms were not seeking increased product export volumes as compensation for the cuts. "No, we are currently discussing cutting duty on oil product exports, to compensate for it that way."

Business

Gazprom Criticizes EU Gas Liberalization

- The Chief Executive Officer of *Gazprom*, Alexei MILLER, today criticized the liberalization of European gas markets, to which it is a major supplier. *Gazprom* has repeatedly come out against the opening up of the European market to independent producers and the start of spot sales rather than the long-term contracts it favors will disrupt the market. "If Europe wants to increase gas consumption...if it is counting on more gas supplies from Russia then it has to get rid of its illusions about spot sales," MILLER told *Rossiiskaya Gazeta*. Later this week, MILLER will meet with European Union (EU) officials including Competition Commissioner Mario MONTI and Trade Commissioner Pascal LAMY. "We will discuss questions on *Gazprom's* long-term contracts and the liberalization of European gas markets," he said. *Gazprom* supplies one third of European gas imports, the bulk of which is shipped under contracts of 10-25 years on a "take or pay" condition, meaning consumers have to pay for the gas whether they eventually use it or not, Reuters reported. *Gazprom* has said it could forecast its revenues only on the basis of long-term contracts and would not be able to invest money in developing new gas fields if spot contracts were begun.

"The introduction of the spot market would break down the entire system of capital investments. No bank would ever accept a one-year contract as collateral for a multi-billion credit," MILLER said. He explained further that *Gazprom* would not be able to provide Europe with stable gas supplies, if it failed to get loans to develop fields.

EUROPEAN REPUBLICS

Ukraine's Five Parties Form Election Bloc

- On Saturday, the leaders of five Ukrainian parties —Agrarian Party (Mykhaylo HLADIY), Labor Ukraine (Sergei TYHYPKO), Party of Industrialists and Entrepreneurs (Anatoly KINAKH), Popular Democratic Party (Valery PUSTOVOYTENKO), and Party of Regions (Volodymyr SEMINOZHENKO) —signed a formal agreement on the creation of a For a United Ukraine parliamentary election bloc, Interfax reported. The creation of the bloc was announced in early October and last month it became known that the bloc would be led by presidential administration chief Volodymyr LYTVYN, RFE\RL Newline reported. LYTVYN commented after the signing ceremony that For a United Ukraine is, "doomed to win in the upcoming election," adding that the bloc's participants are not seeking, "to win power for the sake of power, since they are already in power."

Belarus Deputies Approve Budget

- Belarus' parliament today approved the draft budget for 2002, setting a modest deficit target of 1.5 percent of gross domestic product (GDP), after 1.7 percent in 2001. Belarus has predicted strong economic growth next year of six percent. Last month, the International Monetary Fund (IMF) said Belarus' statistics overstated the health of the economy. The IMF sees growth at between 1.5 percent and two percent next year, in gross domestic product terms. The lender has also criticized the slow pace of economic reform in Belarus, Reuters reported. The economy is still run largely on Soviet command lines.

SOUTH CAUCASUS & CENTRAL ASIA

Deputies Concerned Over UN's BODEN

- Guram SHARADZE, a deputy from the Industrialist

parliamentary faction, expressed concern over the recent media statements, which allege that the U.N. Secretary General's Representative Diter BODEN is a corrupt official. BODEN is opposing the return of Abkhazia into Georgia's jurisdiction. According to Prime News Agency, SHARADZE raised this issue at parliament today. Revaz MISHVELADZE from the XXI Century parliamentary faction accused BODEN of doing nothing for the return of Abkhazia to Georgia. Vakhtang BOCHORISHVILI from the XXI Century faction noted that according to the U.N. recommendations to Georgia, Abkhaz status is described as "a sovereign entity within Georgia," which contradicted Georgia's official position. In an interview with Prime News Agency, BODEN called the current parliamentary discussions inter-political by nature and refused to comment.

News Rights To Boycott Parliament Meetings

- The New Rights Parliamentary faction of the Georgian parliament announced its decision to boycott the plenary sessions starting today, Prime News Agency reported. The faction is protesting the appointment of Speaker Nino BUR-DZHANADZE's husband, Badri BITSADZE, to the position of the Deputy Prosecutor General. According to the faction's Chairman David GAMKRELIDZE, the appointment contradicts the principles of the Georgian Constitution. He stated the consolidation of legislative and law enforcement power within one family will serve the interests of the political group which interests are represented by BURDZHANADZE. The faction's deputies expressed their belief that BITSADZE's appointment was a result of "serious political bargains" which accompanied the parliamentary approval of Nugzar GABRICHIDZE to the position of the Prosecutor General. The New Rights expressed their concern that BURDZHANADZE and her husband will use the consolidated power, "as an instrument to rid of their political opponents."

Saakashvili Forms New Faction

- Former Justice Minister Misha SAAKASHVILI and nine other former members of the Citizens

Union Party of Georgia (CUG) created a new parliamentary faction named For Democratic Reforms, Caucasus Press reported. Another deputy, Shota ZANDUKHADZE, immediately announced his intention of joining the new faction, the chairman of which is Kote KEMULARIA. Faction members also announced they will not support the candidacy of Avtandil DJORBENADZE, whom President Eduard SHEVARDNADZE nominated earlier Monday for the state minister post. Deputy Peter TSISTARISHVILI, the former chief of staff of Zurab ZHVANIA who was kidnapped earlier this year, has also joined the faction.

Armenian Diaspora To Run Yerevan Airport

- An Argentinean businessman of Armenian origin, Eduardo EURNEKYAN, signed an agreement Monday with the Armenian government giving him the right to administer Yerevan's Zvartnots airport for a period of 50 years, RFE/RL's Yerevan bureau reported. EURNEKYAN's *Aeropourtos Argentina* group already runs 33 airports in South America and will invest at least \$50 million to modernize Zvartnots. This will include building a new terminal, upgrading the runway, and other facilities.

WB Approves Armenian Energy Lease

- The World Bank and other donors have endorsed an Armenian government proposal to merge four state-run energy distribution networks and lease them to a foreign operator. World Bank adviser Salman ZAHEER told RFE/RL's Yerevan bureau the government should set up, "a governance board for the companies that will oversee the work" of their future operator. Two successive tenders to privatize those networks, a precondition for obtaining a new World Bank loan, have failed. ZAHEER and resident World Bank representative Owise SAADAT said the \$20 million loan will be made available in February 2002, even though the new tender to lease the merged networks will not be completed until after that date.

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