

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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former Soviet Union

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RUSSIAN FEDERATION

Politics

Chechen Contact With Taliban Revealed

• Vremya Novosti reported that former acting Chechen President Zelimkhan YANDARBIEV admitted to having traveled twice to Afghanistan, in November 1999 and early in 2000. He said he established contracts there with Taliban representatives. However, he strongly denied links with Osama BIN LADEN. He said that BIN LADEN had not provided financing for the Chechens. YANDARBIEV said that he personally coordinates aid provided by Muslims for the Chechen cause. Chechen President Aslan MASKHADOV stripped YANDARBIEV of all his official positions early last year. YANDARBIEV has spent most of the past two years abroad, RFE/RL Newline reported.

Meanwhile, Obshchaya Gazeta reported earlier this month that ten years ago, terrorist BIN LADEN's brother, Tariq, contributed \$20,000 toward the construction of a new mosque in Ulyanovsk, in central Russia. According to the weekly, the construction of the mosque led to a split in the local Muslim community there, as questions were raised about how the presiding mufti for the oblast, Ayup DEVERDEEV, was spending the money. As a result, there are now two competing Muslim religious administrations in the oblast: one is run by DEVERDEEV, and the other by Fatykh ALLIULOV. Allegations of Wahhabism are also being made.

Deputies Scrap Soviet Labor Laws

• The Russian State Duma, in a vote of 283 votes to 125 on Wednesday, scrapped labor laws adopted by the Soviet Union. The new labor code is also designed to boost job security, locking in workers' rights, penalizing employers over delays in paying wages, and providing a higher minimum wage. The

new code provides for a 40-hour working week, enshrines the right to paid leave after six months' employment instead of the current 11 months, and sets 28 calendar days as the minimum holiday entitlement. A third and final reading is due Friday. If the Federation Council passes the bill, it would come into effect on February 1, 2002. Liberal Democratic Party leader Vladimir ZHIRINOVSKY told *ORT* television, "The old code does not meet the demands. In the body of a *Mercedes* we have the engine of a *Zaporozhets*," comparing existing legislation to a notoriously feeble and cramped Soviet-era car. The previous code dates from 1972 when the Soviet planned economy was at its height. During the debate, communist supporters braved freezing temperatures to protest against the new code outside the Duma building. They argued the new law would leave workers at the mercy of "capitalist" employers, Reuters reported. Russian legislation does not yet recognize private employment, leaving 80 percent of the population outside the legal framework. Russia's largest trade union grouping, the Federation of Independent Russian Trade Unions, supports the new code, but many other labor organizations do not.

Helsinki Comm. On Closing Of Salvation Army

• Helsinki Commission Co-Chairman Representative Christopher H. SMITH (Rep.-NJ) expressed concern over a recent Moscow District Court ruling to allow the liquidation of the city's branch of

the Salvation Army. He said, "I am mystified and troubled by this ruling... Once again, no good deed goes unpunished. The Salvation Army provides free meals to many of Moscow's underprivileged, and now it is being told to cease and desist its activities because of a technical error in its registration petition. Justice might better be tempered with mercy in this case... Those who suffer most will be the poor and hungry of Moscow." A Moscow municipal court has upheld a lower court decision denying the Moscow branch of the Salvation Army to operate in Moscow. The denial was allegedly due to a minor technicality in the application for registration. In 1998, city prosecutors attempted to close down the Salvation Army presence in Moscow, asserting it was a paramilitary organization because of the word "army" in its name, and uniforms and military titles for members, U.S. Newswire reported. According to a representative, the church stands to lose hundreds of thousands of dollars were it forced to abandon the property and may be forced to challenge the decision in court. SMITH noted, "I hope that local officials have not been influenced by prejudice and unfounded charges against a religious minority. I urge the city officials to use every appropriate opportunity to see that religious liberty is ensured for all living in Moscow."

Economy

<p>Ruble = 30.33/\$1.00 (NY rate) Ruble = 30.33/\$1.00 (CB rate) Ruble = 27.22/1 euro (CB rate)</p>
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IMF Says Russia Is Safe From Recession

- The International Monetary Fund (IMF) Moscow representative Paul THOMSEN told Reuters that Russia is safe from recession and is expecting to pay all of its foreign debts due in 2002 without financial assistance. He said that this holds true even if oil prices continue to fall. Russia has enjoyed two years of boom due to high world prices for its commodity exports, particularly oil. Gross domestic product (GDP) rose 8.3 percent last year, a post-Soviet record, and is set to grow 5.5 percent this year. THOMSEN notes that Russia will be protected because it has followed sound economic policies in recent years. He said, "The current stance of fiscal, monetary and exchange rate policies would remain broadly appropriate even if there was a further small decline in oil prices in 2002 from current levels. In

fact, even if there was a more substantial drop in oil prices, the authorities could cope without needing financial support from the IMF, although there would have to be some adjustments to economic policies. The important conclusion is that the starting position of Russia is quite favorable. Russia is in a position where it should be able to manage a less favorable external environment very well." A recent visit by an IMF mission positively assessed Russia's economic standing. Russia has built up foreign and gold reserves to more than \$30 billion. Its balance of payments is also helped by a large trade surplus of more than \$40 billion. THOMSEN is the reforms launched by President Vladimir PUTIN will continue.

Business

Poland Seeks Russian Gas Supplies

- Poland's new leftist government will push to re-negotiate long-term Russian gas supplies and close its trade deficit when Prime Minister Leszek MILLER visits Russia this week. Two-way trade has slumped since the 1998 Russian crisis, leaving Poland with an annual trade deficit with Russia of over \$3 billion—a quarter of its total trade shortfall. Russia is the number two source of Polish imports, accounting for a tenth of the total, mostly crude oil and gas. Poland now wants to renegotiate a 1996 long-term contract signed with *Gazprom*, which envisages Russian gas imports soaring to 12.5 billion cubic meters (bcm) after 2010 to meet a predicted Polish demand. *Gazprom* is a shareholder in Polish *EuroPol Gaz*, which operates the first stretch of the Yamal-Europe transit gas pipeline pumping Russian gas across Poland to Germany. *Gazprom* has already invested \$1.3 billion in the pipeline, but Poland's uncertainty over future gas needs and *Gazprom's* own alternative plans of transit routes have so far derailed completion of the project. The Yamal-Europe transit system, agreed between Poland and Russia in 1993, was to consist of two pipelines with most of Poland's already-contracted-for future gas imports due to be pumped through a second link which has yet to be built. "It's a two-way agreement that needs to be revisited by both parties. We need to renegotiate volumes of future deliveries to Poland, but also investments pledged by *Gazprom*," said Marek POL, deputy prime minister in charge of infrastructure.

Poland would like a trade agreement to be signed next month when Russian President Vladimir PUTIN pays his first visit to Warsaw. Poland and Russia have been working to build political relations, since Warsaw shed communism in 1989 and joined the

EUROPEAN REPUBLICS

Ukraine's Presidential Staff Investigated

- The Ukrainian parliament on Tuesday supported a motion to launch an investigation into the activities of the presidential administration chief Volodymyr LYTVYN, deputy Igor BAKAY, and others, UNIAN reported. The motion is called "On investigating the circumstances of illegal appropriation by LYTVYN, BAKAY, and other officials of state intellectual property worth hundreds of millions of hryvnia and gross tax evasion, bringing the guilty individuals to book, and taking action to recover the losses incurred by the state," RFE\RL Newsline reported.

VW Opens Production Unit In Ukraine

- *Volkswagen's* Czech unit *Skoda Auto* has started production at a \$15 million plant in Ukraine. *Skoda* spokesman Milan SMUNTY told Reuters that the first Octavia saloon model rolled off the line, with hopes of more than 4,000 more to follow next year. "None of the cars will be for export, so it more or less depends on sales. But we see a lot of potential here," he said. *Skoda*, which has a 25-percent market share in Ukraine, sold 2,627 cars last year, and expects more than 4,000 to move off the lot this year and next. Overall capacity at the plant is 15,000. The plant could boost production to as high as 40,000 if and when a \$200 million conveyer production line is completed. That part of the plant is expected to be ready in 2004. SMUNTY added, "We are hoping that other foreign investors, especially parts suppliers, will follow our lead and set up here. This will allow us to increase local content and lower the price of our cars produced here." Currently, the plant assembles cars from parts produced in the Czech Republic.

Laar To Resign In January

- Estonia's Prime Minister Mart LAAR announced Wednesday he will resign on January 8th because he feared infighting in his ruling coalition could ruin his country's bids to join the European Union (EU) and NATO, Reuters reported. He told parliament, "[Continuing with this government] could lead to conflicts and scandals, which could seriously en-

danger the most important goals for Estonia —to end talks with the European Union and to get an invitation to NATO." There is a division between LAAR's Pro Patria Union and the Moderate Party and coalition partner, the Reform Party. Reform's decision to form a local government coalition in the capital Tallinn with the rival Center Party instead of its long-time partners was the final straw. Estonia hopes to wrap up EU entry talks in 2002 so it can join in the bloc's next enlargement, planned for 2004. LAAR said he was confident joining the EU and NATO would remain key goals despite the end of his center-right government. Under Estonian law, his resignation means the entire cabinet, elected in 1999, will have to step down. LAAR hopes the coalition can be saved, but said it would be difficult. He speculated that President Arnold RUUTEL might ask Reform Party head Finance Minister Siim KALLAS to form a new government. LAAR expects that his party will go into opposition. Reform's leadership is to discuss the government crisis later this week but a top party official said keeping the current coalition alive was the best solution.

Estonian Plant Sale To NRG Could Fail

- Estonia's Prime Minister Mart LAAR today predicted the \$70.5 million deal to sell a 49 percent stake in the country's two power plants to U.S. *NRG Energy* could fail. The comments came at a meeting between LAAR and the U.S. Ambassador in the Baltic country, Joseph M. DETHOMAS. "If *NRG* is not able to fulfill its commitments [taken in the deal], then the deal could be called off," the government press office quoted LAAR as saying. "According to the agreement on main conditions, *NRG Energy* committed [to give a guarantee for] the loan by foreign banks to reconstruct the plants without the state guarantees," the statement added. Last month, *NRG* said it expected to sign a 285 million euro (\$256.8 million) loan agreement to renovate the plants in January, sealing the deal to buy the minority stake in oil-shale fired plants, which provide over 90 percent of Estonia's power, Reuters reported.

SOUTH CAUCASUS & CENTRAL ASIA

U.S. Donates Crime Lab

- The U.S. Embassy in Georgia granted to Tbilisi prosecutors a crime laboratory with a computer and a copy machine, Prime NewsAgency reported.

According to the press service of the Tbilisi prosecutor's office, the U.S. Embassy also covered the construction and repair expenses of the office, which will host the lab. At the lab presentation today, U.S. Consul on legislative issues John LEASON said his Embassy will continue to provide technical support to the Tbilisi prosecutor's office.

Ivanov Accuses Georgia Of Not Cooperating

- At a press conference in London today, Russian Defense Minister Segrei IVANOV stated that the Georgian government is not ready for the joint anti-terrorism actions in the Caucasus, Prime News Agency reported. According to IVANOV, Moscow "does not see any efforts or attempts of the Georgian government to restore its control in the Pankisi Valley." He stressed that the Pankisi "is occupied by the terrorists." It provides financial, informational and other support to the terrorists and mercenaries fighting in Chechnya. "It's good to start consultations on terrorism issues when your counterpart is willing to cooperate," IVANOV noted.

Armenians Poll On Faith In Government

- According to a poll conducted by the Armenian Sociologic Association and sponsored by the U.S. Agency of International Development (USAID), 51 percent of the 1,500 polled believe in President Robert KOCHARYAN and trust him. Only 26 percent trust the legislative and law-enforcement system in the country. Prime News Agency reported, that 62 percent of people think there is no democracy in Armenia. About 15 percent believe that Armenia is a democratic country and 16 percent think, "Armenia's democracy is limited."

Kazakhstan Considers Oil Export Routes

- Kazakhstan, which will have an annual oil output of 120 million tons by 2015, is discussing possible export routes with China, Iran, and Turkey. Timur KULIBAYEV, head of TNG, the state oil and gas transport company, told a news briefing that Kazakhstan was currently producing about 40 million tons of oil a year and exporting about 70 percent of that volume. He said the country now used a pipeline

through Russia with a capacity of 15 million tons per year, as well as the railways and sea transport to carry its oil exports. The *Caspian Pipeline Consortium (CPC)* pipe, connecting Kazakhstan's Tengiz field with Russia's port of Novorossisk on the Black Sea, is expected to carry about one million tons of crude by year's end. CPC output is targeted at a maximum of 67 million tons a year. KULIBAYEV said that possible routes included laying a new export pipe via Aktau-Baku-Tbilisi-Cheyhan. The Kazakh government is supporting other routes that head south. "We are supporting our oil producing companies in developing those routes which would go through Iran and Afghanistan... Potentially there is a pipeline project through Afghanistan and Pakistan to the Indian Ocean. All these projects have an economic basis, and aside from economic factors there are other political factors, factors of the transit countries." Another option is a pipeline through China, but to make it financially feasible Kazakhstan would have to guarantee 25 millions tons of oil a year through the pipe. KULIBAYEV at this time said that Kazakhstan could not commit to those levels.

Britain To Open Embassy In Tajikistan

- Britain said on Tuesday it would open an embassy this week in Tajikistan. It noted Tajikistan has an important role to play in the reconstruction of Afghanistan. "This is a further sign of our long term commitment to building a stable and prosperous future for the whole of the Central Asian region," Foreign Secretary Jack STRAW said in a statement. "Afghanistan will need to be supported by its neighbors. We want to be better placed to develop the dialogue on these issues with the Tajik government," he added. STRAW said the embassy will opened today in Dushanbe by charge d'affaires Thorda ABBOTT-WATT, a career diplomat.

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