

Press Overview

Putin signals Russia will sign Kyoto Protocol for WTO membership

Reversing months of official opposition, Russian President Vladimir Putin signalled Friday that Moscow would ratify the Kyoto climate change treaty in exchange for European support for Russia's bid to join the World Trade Organization, or WTO, a breakthrough that could revive the long-stalled pact designed to curb global warming and limiting greenhouse gasses.

Russian and European Union officials reached a trade agreement at a summit in Moscow Friday that supports opening the way to WTO membership for Russia, the largest country that remains outside the international group. President Vladimir Putin then recommitted to the Kyoto treaty after months of mixed signals, characterizing it as a trade-off for the economic agreement.

"We are for the Kyoto process," Putin was quoted as saying by Russian and Western news agencies during a news conference after a summit with European leaders. "We support it, although we do have some concerns over the obligations that we will have to assume. The European Union has met us halfway in negotiations on the WTO, and it could not help but have a positive effect on our attitude toward ratification of the Kyoto protocol."

"We will speed up Russia's moves toward ratifying the protocol," said Putin. "We are for the Kyoto process; we back it."

The arrangement between Putin and European officials appeared to end an impasse that had long held up both Russia's integration into the world economy and enactment of the plan to reduce greenhouse gas emissions. European countries have been eager to win Russia's ratification of Kyoto, and they made significant concessions in the trade talks to obtain it.

Putin nonetheless stopped short of pledging a positive vote on ratification, cautioning that this government still has some concerns over the obligations it would undertake under the treaty. He also said it is still "not 100 percent certain" the Russian State Duma would endorse the international agreement. However, the pro-Putin *Edinstvo* or Unity party holds a two-thirds majority in the Duma.

It was clear to analysts that Putin was using his signature on Kyoto as a bargaining chip for entry into the WTO.

"That there was a deal at all indicates very clearly that there was horse-trading going on," a senior Western economic analyst based in Moscow, who requested anonymity, told Bellona Web Sunday.

The analyst added that Putin's positive statements about Kyoto "means they're basking in a moment of glory. They'll do whatever they want to do later."

But Richard Wright, head of the EU's delegation to Moscow, said in an interview with Ekho Moskvy radio station this week that Russia's ratification of Kyoto could mean substantial new gas-saving infrastructure investment and thus could open the way for significant European investment in Russia.

"We believe it's in Russia's ecological interests; we believe it's in Russia's economic interests, and therefore, we very much hope that Russia ... will ratify the protocol," Wright said.

Enviro-lobby unconcerned by Putin's economic motives

That Putin's change of heart over the Kyoto Protocol was motivated more obviously by economic rather than environmental concerns did not seem to dampen the spirits of environmentalists worldwide.

"That Putin is making his decision based on economics is of no concern," said Frederic Hauge President of the Norway-based Bellona Foundation in an interview with Bellona Web Sunday. "The Kyoto agreement will even have economic benefits for Russia, so obviously Putin is making this decision based on economic concerns."

Greenpeace spokesman Tim Hollo said in an interview with Reuters that Putin's comments are a major inroad for environmentalists and will have an impact on global efforts to reduce greenhouse gas emissions.

"It's a huge breakthrough for the international environment movement and for the global environment as a whole," he said.

But European Union, or EU, officials made it clear that Putin's reversal on his government's previous stance on Kyoto had to hold water if Moscow was to enjoy the economic benefits it clearly hopes to gain by signing the protocol.

"Russia's signature would be of crucial importance" for Kyoto, Frauke Stamer, spokeswoman for the German Environment Ministry, told The Associated Press, adding Moscow would not benefit from ratifying until it entered into force.

Russian backing imperative for Kyoto's success

Ever since the United States backed out of the Kyoto pact after President Bush took office in 2001, Russia has held the treaty's fate in its hands. To take effect, the treaty requires ratification by countries producing at least 55 percent of the world's greenhouse gases, and Russia, with its 17 percent share, was the only nation left that could put the agreement over the top.

Putin promised last year to move toward ratification, but his top economic adviser, Andrei Illarionov, launched a vigorous public campaign against the protocol, portraying Kyoto as "a death treaty" and "international Auschwitz" that would strangle the Russian economy just as it was growing again. Some analysts interpreted that as a sign that Russia would not ratify the treaty, but others said Putin used the conflicting signals to make Kyoto a bargaining chip for economic benefits.

"Russia hasn't given up anything very significant," said Alexei Moiseyev, an economist at Renaissance Capital, a Moscow investment bank, in a telephone interview Sunday with Bellona Web Sunday. "The things they gave up they were planning to give up anyway... It seems that for the EU, Kyoto is more important than Russia joining the WTO, and so they were willing to accept the deal."

The meat of the protocol

The Kyoto pact requires participating countries to cut back greenhouse gas emissions by 2012 to 5.2 percent below 1990 levels. By a quirk of history, Russia stands to benefit from Kyoto, because after a decade of economic dislocation, its emissions today are already substantially below what they were in 1990, when Russia was part of the Soviet Union.

Thus, Russia would be able to sell its excess pollution quota to other countries under terms of the agreement. Canada, Japan, and European Union states have expressed interest in buying some,

which would allow them to exceed their own limits but remain in compliance with the protocol.

Putin has made joining the 147-country WTO a priority, and Friday's deal marks the most significant progress toward membership since Russia applied 11 years ago. To join the organization, which sets and enforces rules of world trade, an applicant first must strike market-opening deals with major trading partners that are also WTO members. The 25-country EU accounts for more than half of Russia's foreign trade.

Russian officialdom still divided on WTO membership

"It's an important step in the common integration of the Russian economy in the world economy," Mikhail Zadornov, a former finance minister, said by telephone Sunday. Others oppose membership for Russia out of fear that lowering trade barriers will expose the country's antiquated industries to overpowering international competition.

Dmitri Rogozin, leader of the Rodina party in the Russian State Duma, said in an interview with the Washington Post that the WTO is "a club for aged lords" and that Russia should not be made to conform to other countries' economic rules.

Russian officials expect to strike similar agreements soon with Japan and South Korea. US trade representative Robert Zoellick recently expressed optimism that Russia was on a path to finish negotiations with the United States by the end of the year, the newspaper reported.

In reaching agreement Friday, the EU settled for less than it had demanded. The Europeans had insisted that Russia raise its subsidized domestic natural gas prices to five times current rates, allow foreign companies access to its pipeline network, end the gas export monopoly of state-controlled Gazprom and open up its financial services, insurance and telecommunications sectors to foreign companies, among other things, said Renaissance Capital's Moiseyev.

Under the agreement, Russia will cut some tariffs and open up some sectors, but it gave only a little on natural gas, the most sensitive issue because it supplies a quarter of Europe's gas at far higher prices than it charges at home.

*Tuesday, 23 May 2004
Charles Digges (Bellona)*

Russia and Belarus Reach Agreement On Gas Deliveries

8 June 2004 – Russia and Belarus today signed several agreements on gas deliveries, resolving a long-standing dispute.

Russia's Gazprom gas monopoly released the details after the agreements were signed in Minsk. The deal states that Gazprom will sell gas to Belarus for 38 euros (\$47) per 1,000 cubic meters, approximately the same as for the other former Soviet republics, as Gazprom had demanded. Previously, it had sold gas to Belarus at the subsidized price of 23 euros.

In turn, Russia agreed on a favorable rate to pay Belarus to transport gas through its main pipeline network.

Russian Prime Minister Mikhail Fradkov said the agreement creates good conditions for cooperation in the gas industry.

The dispute over gas deliveries prompted Gazprom in February to halt all exports to Belarus.

Tuesday, 08 June 2004
AFP

Russia, Uzbekistan Sign Strategic-Partnership Treaty

16 June 2004 – Russia and Uzbekistan have signed a strategic-partnership treaty, with Russian President Vladimir Putin and Uzbek President Islam Karimov hailing it as a new stage in long-term relations.

"The strategic-partnership treaty between the Russian Federation and the Republic of Uzbekistan is indeed a new stage in building our bilateral relations, it is a natural result of our joint work in recent years," Putin said.

The agreement envisages cooperation in a range of economic sectors, as well as closer diplomatic and academic ties.

Also today, Russia's LUKoil company and Uzbekistan's Uzbekneftegaz signed a 35-year cooperation agreement that foresees about \$1 billion of Russian investment to exploit natural gas fields in central Uzbekistan.

Putin, who arrived in Tashkent on 16 June, will also attend the meeting of the Shanghai Coopera-

tion Organization (SCO) on antiterrorism efforts opening on 17 June.

The SCO groups together Russia, Uzbekistan, Kazakhstan, Kyrgyzstan, Tajikistan, and China. Afghan President Hamid Karzai also is to attend as an observer.

Wednesday, 16 June 2004
4AP/ITAR-TASS

Moscow Court Says Yukos Must Pay Back Taxes

29 June 2004 – A Russian court today upheld a Tax Ministry claim that oil giant Yukos must pay \$3.4 billion dollars in back taxes – a move the firm says may put it out of business.

Yukos, Russia's second-largest oil firm, has three months to pay the bill or it may face bankruptcy proceedings.

A Yukos lawyer, Sergei Pepelyayev, said the court will have the right to start seizing company assets as soon as the court ruling is published. But he added the firm has also two months to lodge a final appeal against the ruling by the Moscow Arbitration Court.

Critics say the case against Yukos is due to former top executive Mikhail Khodorovskii's support of political opposition parties. Khodorovskii was jailed in October 2003 and accused of tax evasion and fraud.

Tuesday, 29 June 2004
AP/Reuters/ITAR-TASS

Yukos owner offers up his stake

PARIS – Mikhail Khodorkovsky, Russia's richest man and the main owner of embattled Yukos, has offered to give up his stake to the state to save the oil giant from bankruptcy, the Financial Times said on Wednesday.

"Executives at Yukos on Tuesday sent a fresh rescue proposal to the government, with Mr. Khodorkovsky's approval, suggesting a global settlement for its escalating tax debts in exchange for handing over all or some of the controlling shareholders' stake," the newspaper wrote, quoting unnamed sources at the company.

The FT report did not specify to whom the Khodorkovsky proposal had been addressed.

But a spokesman for Russian Prime Minister Mikhail Fradkov denied that his boss had received the offer.

“The premier’s secretariat has not yet received Khodorkovsky’s letter to Mikhail Fradkov,” the Interfax news agency quoted Alexander Zharov as saying.

It was an 11th hour offer – Wednesday was the last day for Yukos to pay a 3.4-billion-dollar (2.8-million-euro) tax bill demanded by the tax ministry and validated by the courts.

Yukos – which has been under fire after the arrest and jailing pending trial of Khodorkovsky, in what is regarded by many observers as a political witchhunt – has said it cannot pay the tax bill because the courts have frozen its bank accounts and assets.

As of Thursday, “some action could be taken against our assets”, Yukos’s chief financial officer Bruce Misamore admitted to investors during a conference call late Tuesday.

Unless a negotiated solution is reached, the government would have “the full right to come in and

try to realize the value of assets in order to pay the tax bill”, Misamore said.

“This could be sale of assets conducted by the bailiffs ... either through an auction or direct sales,” he explained.

Under the plan sent to the government on Tuesday, Khodorkovsky would give up some or all of the major stake he holds in Yukos with his partners through the Menatep holding group, the FT said.

In all, Menatep holds a 44-percent stake in Yukos.

In return, Yukos was asking for the freeze on its assets and accounts to be lifted and three years to settle all of its tax debts.

In addition to the 3.4 billion claimed for 2000, the tax ministry has filed a nearly identical claim – which must be validated by the courts - for 2001.

On Tuesday, General Prosecutor Vladimir Ustinov hinted that additional claims could be filed for 2002 and 2003.

“This affair is like a snowball. It has a beginning but it’s very difficult to see the end,” he said.

AFP