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CHEMICAL WEAPONS DESTRUCTION IN RUSSIA:
Opportunities for Regional Development,
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Chemical Weapons Destruction: Opportunities for Regional Development, Civil Society, and Business

A Working Conference on Development and Demilitarization in Russia

EXECUTIVE SUMMARY

Lack of funding represents the most important factor behind the slow pace of destruction of the 45,000 tons of stockpiled chemical weapons in Russia, already reportedly 2-5 years behind schedule. Further delays of the process will not only endanger the environmental and health situation around the seven storage sites in Russia but may also severely undermine the Chemical Weapons Convention as a whole and thus have serious global implications.

One area of specific concern relates to infrastructure development in the concerned regions. New infrastructure has to be in place to build the planned destruction facilities and to host the personnel for these plants and their families. In addition, there is a strong local request for infrastructure to enhance environmental and health safety before destruction starts. The Russian government is giving priority to destruction of the CW stockpiles at Gorny (Saratov oblast) and Kambarka (Udmurt Republic), to be followed by Shchuch'ye (Kurgan oblast) and Kizner (Udmurt Republic). (see CW site map pg. 17)

No major Russian federal or regional budgetary resources have been allocated for this purpose. There is also very little international funding for this purpose, and the problem of infrastructure thereby threatens to deepen the crisis in CW destruction in Russia. Some regions demand that the stockpiles on their territory be transported to other areas in Russia for destruction, a solution that is prohibited by law and also opposed by other regions.

The lack of public funding for these purposes forces the concerned regions to take initiatives of their own to attract investment resources. The conference demonstrated that some regions have come relatively far in their thinking in this respect. A number of business plans have been drafted but regional representatives expressed very strong requests for further advice on such business and development plans (and on feasibility studies) and on how to reach out to the private sector inside and outside Russia with feasible and credible investment projects. There is also a need for international advice on draft legislation for an investment-friendly environment through select tax exemptions and other such incentives. Another issue needing further exploration concerns possibilities of regional guarantees to investors. It was also suggested that a databank with project information be established.

All participants stressed the need for projects to be feasible and have a long-term, sustainable perspective – this must also be presented well to potential investors. A hope was also expressed that conversion of the demilitarization facilities after the completion of CW destruction should be granted as this might provide interesting investment opportunities for commercial waste management.

SUMMARY REPORT

Welcoming Remarks

Sergei Baranovsky (Green Cross Russia) welcomed all participants to the day-long meeting and noted that GCR had recently held a first anniversary meeting on November 5, 1998 to commemorate Russian ratification of the international Chemical Weapons Convention (CWC) one year earlier. Although work has been ongoing for several years in chemical weapons demilitarization, Baranovsky emphasized that many problems remained. The foremost of these is financing. In 1998 only 5-7 percent of federally authorized funds were allocated to chemical weapons (CW) demilitarization. The United States, Germany, Switzerland, Netherlands, Sweden, Italy, and Finland have all been helpful, but funding is still too little. If last year's funding shortfall continues, it is clear that Russia will not meet the CWC's 2007 deadline for total abolition. That is why this conference is so very important – to initiate serious discussion and planning for additional funding options for Russian demilitarization sites.

Dag Hartelius (EastWest Institute) also welcomed everyone and noted how serious the CWC obligations were for both the United States and Russia. He emphasized that these obligations were also global in nature; all countries will no doubt benefit from chemical weapons abolition. And they are also local – environmental risks, public health issues, and concerns over socio-economic impacts and development needs. Very little attention has been paid, unfortunately, to the last item – the need locally within CW stockpile communities for infrastructure and sustainable development. This meeting is therefore intended to draw more attention to this problem, to create initial first-stage projects, and to interest international funders in local investment opportunities. He thanked the Trust for Mutual Understanding for their generous support for this conference.

Russian and International Assistance to the Chemical Weapons Demilitarization Process, and its Limits

Valery Kapashin (Federal Program for the Destruction of Chemical Weapons, Russian Ministry of Defense) pointed out that we were now two years into the ten-year CW abolition timeframe of the CWC, recognizing its entry into force in April 1997 after the required 65 ratifications. Russia, as the owner of the world's largest CW stockpile of some 45,000 tons, is faced with the greatest disposal task. Production of chemical agents stopped in 1981 in Russia. Fifteen years later, in March 1996, Russia adopted its program for CW destruction with several ministries – Defense, Ecology, Economy, and others – involved.

Russian chemical weapons are diverse and located in seven main stockpiles. Two stockpile sites hold blister agents. Five stockpile sites hold nerve agents – some 32,500 tons in toto. Because of the lack of funding, the Ministry of Defense (MoD) has had to

work at all sites simultaneously to obtain plans and permits. The first priority is the blister agents, which date from the 1950s. Any leakage of these obsolete weapons could have serious environmental and public health implications in the Saratov Oblast and the Udmurt Republic.

General Kapashin's program has made some progress in clarifying command and control of CW and establishing an organizational structure for demilitarization. They have also concluded a number of agreements with local governments. Construction has begun in Gorny in the Saratov Oblast and preparations are underway for Shchuch'ye in the Kurgan Oblast. Public relations offices have been established at all seven sites. But they need additional financial support if we are to overcome our economic difficulties and large expenses for CWD.

Last year a first conference was held, supported by the U.S. and Netherlands, concerning foreign support for nuclear weapons elimination. This year a similar conference will be held in Moscow on June 15, 1999 to cover funding issues, along the lines of what is being done today, for chemical weapons demilitarization. There is need for foreign investment in infrastructure, facilities, monitoring systems, chemical and medical labs, and security and safety systems. Support can be provided both on a bilateral and multilateral basis and will be essential to meeting our future CWC deadlines.

Germany is providing analytical equipment for Gorny – some 21.8 million deutschmarks to date. Another 9.5 million deutschmarks are planned for 1999. Sweden has provided 2.6 million kronor for risk analyses, office equipment, renovations, and public relations training. The Netherlands recently signed an agreement with Russia in December 1998 for 10.8 million Dutch guilder in support for Kambarka.

Russia has a Memorandum of Understanding with Finland for monitoring equipment – two million Finnish marks – for Kambarka. Norway has contributed \$190,000 (US) in ecological monitoring for Gorny. Russia has also responded to an inquiry from France to help with Gorny as well. Italy is considering support for Kizner and the United Kingdom may also join in the future.

Another major challenge for the Ministry of Defense, aside from finance, is dealing with state and local regions specifically regarding infrastructure needs. The facilitation and resolution of federal-state-local issues and relations is key to moving forward in chemical weapons demilitarization.

In discussion a question was raised about the level of funding provided by Russia itself. The Russian MoD have estimated total CWD costs at 6.8 billion rubles but so far they have only received 500 million rubles. This has funded initial construction of the main building at Gorny and some infrastructure development at other sites. Last year, however, the Russian government owed 107 million rubles to Russian contractors who nevertheless continue to work today. In 1996 they received only 2.3 percent of program estimates.

In regards to the regions, Gorny and Kambarka are Russia's first priorities followed by Shchuch'ye and Kizner.

Conflicting Priorities – Local Concerns

Yuri Lodkin (Bryansk Oblast) explained that he considers all issues related to chemical weapons demilitarization top priorities. The CW site in the Bryansk Oblast, Pochep, holding some 19 percent of the Russian CW stockpile, is the largest Russian site. The first critical issue concerns social infrastructure – people’s local needs and concerns must be addressed first before full implementation of a demilitarization program can take place. Very few funds have been committed to date for this priority.

Second, the “egalitarian” approach just explained by General Kapashin to deal with all six Russian CW regions is not appropriate Lodkin said. Over eleven square kilometers of Bryansk territory, for example, now suffers Chernobyl radioactive contamination. Chernobyl is now a test site for international science. Are the people of the Bryansk oblast now being given a permanent role as “the world’s guinea pig?” Chemical weapons demilitarization also presents major hazards. Who will be responsible for protecting the citizens?

According to Lodkin, no one provides answers to these questions, especially those concerning synergism between the risks of Chernobyl and those of chemical weapons. The Ministry of Defense has assured that they will provide a risk assessment of the Pochep CW stockpile and options for transportation. The 1995 Bryansk state law prohibits any construction for demilitarization. There is a need for safer methods today for CW destruction. A new April 1999 law now also considers safety issues.

In discussion General Kapashin responded that the Ministry of Defense has received three requests this year from Bryansk. But the MoD is the wrong agency to address the issue of transportation as they are not in favor of transporting chemical weapons. Furthermore, Gorny is their first priority site and there is still insufficient funding to even purchase equipment there. The Bryansk region agreed to terminate its construction moratorium, which it did, but now has gone back on its word. General Kapashin continued by saying that their concerns over Chernobyl are exaggerated.

A representative from Kizner conveyed that all of the regions have similar concerns. The Udmurt Republic has the problem of strategic missiles. The issue of transportation of CW involves all states, not just the Bryansk region.

Yuri Mamontov (Kurgan Oblast) reiterated that Russia demonstrated its intent with 1997 ratification of the CWC but remains constrained by lack of funding. Russia is at least 4-5 years behind schedule in CW destruction. The Kurgan region has some 5,400 tons of Russian VX nerve agent in artillery shells and missile warheads, about 14 percent of the total CW stockpile. The industrial zone for CW destruction at Shchuch’ye will be funded by the United States for hundreds of millions of dollars.

There is a need for care and attention to this first Russian-American facility if Russia is to be fully successful in implementing the CWC. The Kurgan administration is working hard on this project. In October 1997 first steps were taken to build infrastructure. The

Green Cross have well initiated public involvement activities. Public opinion is now changed but social guarantees must still be made.

June 1st, 1998 was the date for land allocation. Now progress is needed on a legislative basis. The October 1997 timeline has not been met – for example, the expectation that infrastructure development would have started by October 1998. The main obstacle to CW destruction now is financing for infrastructure. Without infrastructure, an industrial zone cannot be built. There is also radioactive contamination and other toxic pollution to deal with in the Kurgan region. Ultimately, they will have to depend on foreign aid for chemical weapons destruction.

In discussion MoD officials agreed with the speaker that they cannot accelerate construction without funding from abroad. By the fall of 1999 they will have completed the water supply and construction of an initial twenty housing units in Shchuch'ye. It was also mentioned that Canada may begin to help in Kurgan.

Yuri Mamontov was asked what has been done in Kurgan in terms of public outreach. In response, he described Green Cross' extensive involvement including the organization of public hearings and the establishment of outreach offices in Kurgan and Shchuch'ye. Resources from the Kurgan Administration have been primarily committed until now to rehabilitation of areas contaminated with radioactivity. General Kapashin said he believed that they were behind some 2-3 years, not the five years mentioned earlier.

Valery Malyshev (Committee on Conventional Problems of Chemical Weapons, Udmurt Republic) added that the Udmurt Republic houses some twelve tons of chemical weapons at two sites – Kizner and Kambarka – and has already taken several steps towards demilitarization. One major concern is the lack of feasibility studies and the fact that some construction has begun prior to these studies being completed. These studies will hopefully support the siting of destruction facilities, but the region still lacks any legislative basis. Construction of gas pipelines and housing has been halted in Kambarka. The program in general is about three and one-half years behind schedule now. We hope there might be some private interest in destroying and recycling the lewisite at Kambarka. Three countries – the U.S., Switzerland, and Sweden – have all been helpful, and Green Cross has been particularly important for public outreach activities. Malyshev explained that he based his concerns on several studies that have been done to date on the Kambarka site. No studies have been done for Kizner except for an initial study of children's health.

In discussion questions were raised concerning transporting the Udmurt chemical weapons to the existing destruction facility in Chapayevsk. Chapayevsk was initially constructed as a test site for 100 tons/year; its annual capacity, however, could be as high as 1200 tons/year. However, the decision has already been made to undertake on-site destruction at all Russian CW stockpile sites.

The discussants were reminded by MoD officials that main discussion should focus more on aid to the CW regions, not on regional problems. A regional representative, in turn, reminded participants that 90 percent of funds should be coming from the Russian government, not from abroad.

Conditions for Financing Related Projects in CWD Areas and Financing Opportunities for First-Step Projects

Stefan Schleunning (TACIS, European Commission) gave an overview of TACIS activities in the area of CWD, which amount to 3 million ECUs in 1997, 4 million ECUs in 1998 and 3 million ECUs in 1999. TACIS is unable to provide assistance for the actual destruction of chemical weapons and follows a wider definition of CWC implementation assistance. This wider definition allows TACIS to finance projects in related fields such as conversion, environment, health and safety.

TACIS has prepared three approved projects, which are due to begin in mid-1999. The first is a project aiming to establish environmental monitoring around Gorny by promoting safe and environmentally friendly technologies for hazardous waste management. The second project will focus on health and safety issues, on the development of ground detoxification at the chemical weapons production facility in Dzherzinsk. The third project deals with the conversion of the plant at Dzherzinsk. In addition to these three projects, TACIS will sponsor a donor conference, organized by the Russian Ministry of Foreign Affairs in June 1999.

Cecile Pichon (European Commission) conveyed the diverse nature of TACIS programs. Civil society building is frequently an important component in TACIS programs including the programs addressing CWD in Russia. This program will promote many aspects of civil society including public access to information on health and environmental issues, the rule of law and community participation in decision-making processes.

Presently, the third round of microproject funding has begun, which totals 1 million ECU and will be disbursed to projects at a maximum grant level of 50,000 ECU. The deadline for project proposal submission is July 1, 1999.

Elena Trachtenberg (Embassy of Switzerland) outlined the Swiss government's approach to CWD in Russia. Switzerland disburses part of its support through technical support provided by the Swiss agency for Development and Cooperation of the Swiss Ministry for Foreign Affairs. However, only limited funds are available for this program – 300,000 USD was allocated for the period 1998-1999, with hopes that this credit will be extended.

The Swiss government supports the approach of civil society building and democratic reform in dealing with CWD in Russia. In their initial stages, Swiss programs have largely focussed on public outreach by financing outreach centers in CWD areas. Future projects will address more specific aspects of CWD processes such as health care and environmental protection.

Konstantin Matsokin (Interdepartmental Commission on Chemical Disarmament) credited the EastWest Institute and Green Cross/Global Green with organizing a timely and important conference. He pointed out that a "Fund for Chemical Disarmament and Conversion," established a year ago, still lacks financial support. What CW

demilitarization needs today are technologies based first of all on safety criteria. Transportation is outlawed except at local sites. Also important to remember is that the law does indeed allow non-budgetary sources for funding.

The future of chemical weapons abolition, however, does not look bright. The program is at least 2-3 years behind schedule and the 1995-96 budgets allotted only 50 percent of required level of funding to CW demilitarization. Since then funding has plummeted to some 2-3 percent of need. Funding prospects remain dim and a low priority on the national scene. Therefore Presidential Decree #314 allows for extra-budgetary sources. Also important will be the marketing of products from demilitarization. Another funding option will also be external loans. One serious challenge is that Russia has no mechanism today to utilize private loans.

In discussion it was stressed that what is really needed are active regions to attract private and foreign capital into CW destruction areas. Often funding requires matching grants and other incentives such as tax breaks for foreigners to invest in the regions. Concerning conversion, funds can only be attracted after thorough studies have been finished. The Volgograd KhimProm project, for example, has offered many opportunities for foreign investors. But for CW demilitarization at least 70 percent of funding is needed up front.

Certain banks have a moratorium on bankruptcy for investors in the current financial climate. Perhaps a bank should be made available to guarantee financial security; it is doubtful that the financial market allows for that today. The government has never really helped here and there is no system in place today for such arrangements.

Stefan Schleuning was asked whether TACIS could support regional development of non-budgetary sources. He responded by pointing out that their March 1999 action program will only be implemented in the year 2000. Such a program could perhaps be included in later TACIS action plans.

Others asked why TACIS does not fund demilitarization but rather only peripheral activities. Cecile Pichon responded that the European Commission does not have that in its mandate; weapons destruction must be undertaken by member countries directly. Paul Walker (Global Green USA) commented that there are congressional limits on the Cooperative Threat Reduction (CTR) program, restricting U.S. weapons destruction work to “inside the fence” activities, those efforts directly necessary for carrying out demilitarization. Many potential infrastructure investments, although helpful to demilitarization, are perceived by some to be more the responsibility of the Russians.

Possible First-Step Projects for Local and Regional Development

Nataliya Kalinina (Russian Federal Government) underlined that the overarching problem for CWD in Russia is financing. The federal budget does not allocate enough money for CWD programs. Of course, the federal budget is a political document, and a result of many compromises among competing interests. However, even if a program

does receive allocations in the federal budget, it is no guarantee that actual cash will be available – many budgeted programs get cut due to low levels of federal tax collection.

The only realistic solution is to search for non-budgetary sources of funding that can come from either donors or investors. So far many donor countries have helped us, but not nearly enough to cover the costs of CWD programs. Investors, in turn, face many challenges. First, they want to make a profit and request government guarantees of that. Second, CWD is a spending-intensive program which does not generate much cash. One important exception is the possible commercial use of some of the byproducts of CW destruction (like arsenic from lewisite destruction) used, for example in high technology industries. But there may not be a market for these products.

Investors should look beyond near-term costs and lack of return, and develop a long-term vision. Indeed, if they help build social infrastructure for CWD affected regions (roads, pipelines, housing, etc.), it will make their long-term business activities more profitable. Additionally, investors could be attracted by the possibility of using state of the art CWD plants, built with Western money for industrial production, after the CWD process is complete.

The federal government receives many investment proposals in the CWD areas, but virtually all of them are not well developed or cannot be taken seriously by Moscow. Most often the government cannot accept numerous demands usually contained within these proposals. Some investors demand government guarantees of profit. Others demand various tax exemptions from import/export tariffs, levies, and dues, specifically on oil and gas. Some even make political demands in the areas of foreign policy. The only advice one can give to investors is: do not place conditions on your investment that would require the government to bear further burden. Most importantly, the federal government must control all CWD programs, even if private investors run them.

Vladimir Alexeyev (Green Cross Russia, Udmurt Republic; fmr Kizner administration) expressed satisfaction over this first meeting of its kind, bringing together all the regions affected by CWD. Regions have been instrumental in the whole CWD process, because they have to take care of those territories and people affected by the CW. As everyone has said, financing has been the largest obstacle to the CWD process, ever since the beginning. There are two areas of expenditure: (1) social infrastructure development, to compensate regions for pollution and economic costs associated with CWD and (2) actual destruction of CW. Regions insist that social infrastructure must be built first, before the state can move on to destroying chemical arsenals. Udmurtiya has tried to lobby the federal government to get non-budgetary funds with government guarantees, but so far with no success.

A new, innovative approach from the grassroots level is to tie CWD with economic development. This would turn what is now a “spending program” into an “investment program.” This concept has three main pillars:

- 1) CWD technology must be tied to the economies of districts involved.
- 2) Local enterprises must be involved in building the social infrastructure.
- 3) The dual-use sites must be tied to creation of new industry.

Social infrastructure development is key to the success of the CWD program. Without it the process will not move ahead. In turn, with it in place Western investments gain important infrastructure for business development. However, this will require federal help in the form of tax and tariff benefits, which will give regions breathing room for work. Additionally, we need concrete, well-developed business plans, a long-term vision, and public oversight of the program's execution. Ultimately, it does not matter where the money comes from, home or abroad, as long as it is wisely used. Each region should have a task force of experts to work on program development.

Ivan Manilo (Information and Assessment Center for Chemical Weapons Matters in Kurgan) argued that the case of the town of Shchuch'ye proves instructive. There was no money in the regional budget to help this CWD affected town develop social infrastructure. Although all elements of infrastructure are important to the people, they are not very attractive to investors. Increasing the level of life for all strata of the population should be our main priority, although it might be more expensive, because the benefits are immeasurable.

Since outside investors are not interested, regions must learn to find local resources. It is not realistic to rely on the population's personal savings, especially since in the present financial situation most choose to keep savings not in banks, but under their mattresses. Other possible resources include:

- Giving regional administrations the right to seek non-budgetary income.
- Encourage environmentally friendly business practices.
- Remove land taxes from CWD-affected properties.
- Keep state control of enterprises involved in the CWD process.

It is necessary to start immediate work on:

- State guarantees of investments
- Business plans
- A legal basis for CWD issues.

Sergei Kirillov (Shchuch'ye Regional Administration, Kurgan Oblast) pointed at some accomplishments in the CWD area that can be noted:

- Real work has already begun.
- Social infrastructure development is under way (albeit on early stages).
- An educational and informational campaign was launched two years ago to create a favorable image of CWD among the people.

On the other hand, there are some disappointments as well, the biggest being slow progress of most things related to this process. But there are options for economic development. For example, high quality bricks were formerly produced in the region due to clay deposits; production has now stopped but could be restored. Otherwise, one would have to continue today's costly practice of sending special construction sand 100 kilometers away to Chelyabinsk, where they make concrete blocks out of it, which then are returned to Shchuch'ye; local concrete production could be developed as well.

Vladimir Pankratov (Penza oblast administration) explained that the region is dominated by agricultural production and had only a limited industrial base. The CW stockpiles at Leonidovka amount to almost 18 percent of the stored CW in Russia and represent some of the most modern weapons.

The administration is currently looking into the infrastructural needs related to the destruction process such as gas pipelines, roads and utility water monitoring. A number of regional organizations participate in this discussion, and although the key problem is funding, there is still some reason for optimism about possible private investment and participation. At present, twelve project proposals are close to agreement at a combined value of 8-16 million rubles (one project concerns plant growing). A breaking point for these projects is expected within 2-3 years when it should be possible to extract profits. The oblast needs assistance, however, in reaching out to potential investors with information about the different opportunities and would appreciate contacts and cooperation.

In discussion it was stressed that the longer term perspective and constructive ideas coming out of the regions in favor of concrete projects with the involvement of the business community are very encouraging and are indeed the best approach. Also important to remember is the fact that infrastructure and regional development must be sustained, that is, long-lasting after the demilitarization facility is closed. On questions concerning market analysis for the longer term, some regional representatives stated that they had concluded feasibility studies which in some cases had led them to drop project ideas that did not correspond to current and prospective market demands; one example was construction material production. In other cases, such feasibility studies had revealed a wider, intra-regional need than initially anticipated. Still, more work needed to be done to assess the needs and opportunities.

Federal officials also expressed hope that conversion of the destruction facilities might be allowed within the CWC regime; the facilities will probably be able to serve as destruction plants for other chemical waste such as pesticides once CW destruction had been completed. As foreign interest in exporting waste for destruction is likely to grow, this could become an important source for regional export earnings in the future.

There was broad agreement about the need for special investment incentives for the six concerned regions (oblasts), mainly as tax exemptions for investors. It was less clear whether the “closed city” concept would be applicable or even a good solution for this purpose, and also how one could assure that main investments following such a scheme would go to CWD-related projects and areas. Federal representatives even suggested that the regions themselves present some draft legislation in this respect. Regional representatives reacted positively to this suggestion but asked for assistance and advice from organizations such as the EastWest Institute and Green Cross Russia in this connection.

Strategies Ahead (*Panel discussion*)

Paul Walker (Legacy Program, Global Green USA) reiterated the importance of East-West solidarity, especially Russian-American, in pursuing the mutual abolition of

chemical weapons arsenals and full implementation of the Chemical Weapons Convention. Key to this historic step at the end of the Cold War is the sustainable development of local communities burdened with chemical weapons for decades. This panel will provide concluding discussion on the full day, including initial project options, while recognizing that this challenge will need many more such discussions and much longer-term efforts.

Sergei Baranovsky (Green Cross Russia) was encouraged by the number of concrete ideas for the future from regional and federal representatives at the conference. There are a couple of different strategies to obtain extra funding for CWD-related needs. The first was represented by the federal government, the Ministry of Foreign Affairs in particular, which is planning to arrange a new governmental donor conference in Moscow following last year's conference in The Hague. The proposed date for the Moscow conference is June 15th, 1999.

Second, as had been suggested by Konstantin Matsokin from the Inter-Agency Commission, there are ideas to focus on the business community and the banking sector in particular to attract additional funds.

Third, there is the role that NGOs such as Green Cross Russia can play. Baranovsky pointed in particular to the organization of Green Cross public hearings, work on risk assessments and medical surveys, and Green Cross centers for monitoring and analysis, in many cases work funded by foreign governments such as Switzerland, the United States and the United Kingdom. He also emphasized the need for facilitating stakeholder involvement and cited the recent Global Green workshop in Moscow on citizens' advisory commissions.

Irina Kobrinskaya (EastWest Institute) related the needs in the CWD area to the work of the EWI. The weekly English Russian Regional Report and Russian Regional Investor and the bimonthly Russian Rossiysky Regionalny Byulleten – all with a wide coverage – could be used for information about best practices as well as about investment opportunities in the CWD regions. An ambitious project on the barter economy, in turn, gave support for the presented ideas about regional investment guarantees as a promising model. Successful projects would also require a reliable local bank, and the regions will have to develop business plans that are attractive for investors.

EWI has experience from working in many of the relevant fields in Central and Eastern Europe, for instance to strengthen small and medium-size enterprises and to advise on economic legislation. The suggestion about viable banks is relevant but requires both regional and federal level infrastructure as well as in the international investor community, international chambers of commerce, etc. Finally, one should not exclude chances for some philanthropic funding from international foundations for these related purposes. (As one example, in the following discussion, it was mentioned that the Open Society Institute will start funding projects in the field of environmental security this year). The Institute will consider and discuss how to assist in these areas.

Gilbert Dubois (European Commission, Moscow) stressed the Commission's firm commitment to support stable and prosperous development in Russia. The EU Common

Strategy on Russia, to be adopted by the European Summit in Cologne on 3-4 June, will further underline this commitment and present a coordinated EU approach. He also confirmed the Commission's willingness to support improvements in the environmental field and to contribute to the CWD process in Russia. The EU-sponsored Moscow conference, tentatively scheduled for June, was mentioned in the discussion earlier and is an example of this effort.

General Ulyanov (Ministry of Defense) concluded that the views of the MoD and the regions seem to be converging with regard to the resolution of the urgent needs related to CW destruction. As to the destruction itself, the first stages were now being concluded in order for the actual destruction process to begin at the first sites in 2000. In addition, the MoD had to develop projects on the other sites to prepare for later CW destruction, and to build the necessary infrastructure at the Shchuch'ye site which in turn would release US support for the destruction facility. Although the CWD schedule is some 2-3 years behind schedule, the process of demilitarization is now irreversible.

The MoD and other federal institutions wanted to work more with the regions to solve the urgent needs in the social sphere. He praised those Governors who, like Saratov's Ayatskov, showed willingness to take swift decision on permits for the destruction facilities as soon as the relevant feasibility studies had been completed. The cost of the Saratov project would be about 869.3 million rubles; the facility would likely start operating in 2002. MoD had also noted some very encouraging signals from the Kirov and Penza regions recently. At the same time he cautioned those regional leaders who proposed that chemical weapons be transported out of their region that if this would happen they would also miss the investment in infrastructure for the CW process.

The MOD needs expedient approval of land for infrastructure – compensation to the owners in the form of new land is financially wise in this respect – and of course project documentation. It is also important to get regional and local support for the planned social infrastructure; for this purpose, regional project and environment agencies will have to work faster.

General Ulyanov concluded by emphasizing that the Ministry of Defense will continue to be the federal agency for CWD implementation and suggested that the six regions should be able to affect legislation much more effectively if their representatives cooperated more among themselves in the legislative federal bodies (Duma and Federation Council).

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Regional Development, Civil Society and Business**

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Robinson, Stephan, Legacy Programme Coordinator, Green Cross Switzerland
Schleunig, Stefan, Technical Assistance Section, European Commission
Semin, Valery V., Principal Counsellor, Dept. for Security and Disarmament Affairs,
Ministry of Foreign Affairs
Shklyar, Natan, Research Associate, EastWest Institute
Stasovsky, Anatoly, Deputy Editor-in-Chief, “Krasnaya Zvezda”
Tarasov, Alexander A., Committee on International Affairs, State Duma
Sundquist, Eva, Embassy of Sweden
Trachtenberg, Elena, Embassy of Switzerland
Ulyanov, Vladimir À., Deputy head, Department of CW destruction, Ministry of Defense
Vaganov À. G., Nezavisimaya gazeta
Valentine, Michael, Chemical Weapons Destruction Support Office
Vepreva Galina I., Director, Shchuch’ye CWD Information and Assessment Center,
Kurgan oblast
Vyazmina, Ílga V., Director on international relations, Green Cross Russia
Walker, Paul F., Legacy Program Director, Global Green USA

**Chemical Weapons Destruction: Opportunities for Regional
Development, Civil Society and Business**
Moscow, May 18, 1999
Hotel Arbat, Per. Plotnikov 12

09.00-09.15 Welcoming remarks

Acad. Prof. Sergei Baranovsky, Vice President, Green Cross Russia
Mr. Dag Hartelius, Vice President, EastWest Institute

09.15-10.00 Russian and international assistance to the CWD process – and its limits

Gen. Valery Kapashin, Director, Federal Program for the Destruction of Chemical Weapons, Ministry of Defense of the Russian Federation

10.00-11.00 Conflicting priorities – local concerns

Governor Yuri Lodkin, Bryansk oblast
Mr. Yuri Mamontov Head of Department, Kurgan oblast administration
Mr. Valery P. Malyshev, Vice President, Committee on Conventional Problems of Chemical Weapons, Udmurt Republic

11.00-11.20 Coffee

11.20-12.45 Conditions for financing related projects in CWD areas

Mr. Stefan Schleunning, Technical Assistance Section, European Commission/TACIS
Ms. Cecile Pichon, European Commission
Ms. Elena Trachtenberg, Embassy of Switzerland
Mr. Konstantin Matsokin, Secretary of the Interdepartmental Commission on Chemical Disarmament

12.45-14.00 Lunch

14.15-16.00 Possible First-Step Projects for Local and Regional Development

Dr. Stephan Robinson, Legacy Programme Coordinator, Green Cross Switzerland
Prof. Nataliya Kalinina, Coordinator, Russian Federal Government
Prof. Vladimir Alexeyev, Administration of Kizner/Green Cross Russia, Udmurt Republic
Mr. Ivan Manilo, Head of the Kurgan Information Center
Mr. Sergei Kirillov, Shchuch'ye local administration, Kurgan oblast
Mr. Vladimir Pankratov, Head of Department, Penza oblast Administration
Mr. Yuri Radyushkin, Head of Department, Saratov oblast administration

16.00-16.20 Coffee

16.20-18.15 Strategies ahead (Panel discussion)

Dr. Paul Walker, Director, Legacy Program, GlobalGreen USA
Prof. Sergei Baranovsky, Vice President, Green Cross Russia
Dr. Irina Kobrinskaya, Director of the Moscow Centre, EastWest Institute
Mr. Gilbert Dubois, European Commission
Gen. Vladimir A. Ulyanov, Deputy Head, Department of Chemical Weapons Destruction, Ministry of Defense

18.15-18.30 Words of conclusion and farewell

Prof. Sergei Baranovsky, Vice President, Green Cross Russia
Mr. Dag Hartelius, Vice President, EastWest Institute

