

# DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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Daily intelligence briefing on the  
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## RUSSIAN FEDERATION

### Politics

#### Immediate Rus Strike Against Pankisi Possible

• One of the Chechen gunmen involved in the September 26<sup>th</sup> attack on the village of Galashki in Ingushetia said Russian plans to begin operations in Georgia may commence as early as September 27<sup>th</sup>, Kommersant reported. According to Russian troop commander Lieutenant General Valery GERASIMOV, 14 Russian soldiers were killed in the attack and 15 were wounded. This compared to a total of 100 casualties on the Chechen side. (See The Daily Report on September 26<sup>th</sup>.) Chechen native Vitaliy SMIRNOV, under the direction of Ruslan GELAYEV, led the Chechen detachment. Russian Defense Minister Sergei IVANOV called the attack "the last straw that will make the Russian leadership's patience run out," Kommersant reported. According to Kommersant on September 27<sup>th</sup>, "It is not ruled out that strikes could be carried out against Pankisi as early as today."

#### ...Coup Soon To Follow?

Georgian Deputy Minister of State Security Lasha NATSVLISHVILI appeared on Georgian TV1 to discuss the "critical" security situation in Georgia, Kommersant reported on September 26<sup>th</sup>. According to NATSVLISHVILI, "Russia's aggressive policy in Georgia" is jeopardizing the country's national independence. In order to demonstrate the severity of Georgia's security crisis, NATSVLISHVILI played the viewing audience portions of a taped phone conversation between former Georgian Security Chief Igor GIORGADZE and an anonymous male. GIORGADZE has been a vocal critic of Georgian President Eduard SHEVARDNADZE and is believed to be preparing a coup against the Georgian government (see The Daily Report on Russia's Special Report on GIORGADZE, September 26<sup>th</sup>

and 27<sup>th</sup>). On the tape recording, GIORGADZE tells his associate, "I will tell you briefly. I visited the head doctor of the maternity hospital. He conducted echolocation test in my presence. So, the boy is healthy, in his ninth month. The delivery will be normal and no caesarean will be required. So, I have told you everything." According to NATSVLISHVILI, the recipient of GIORGADZE's message was a Georgian politician, or someone claiming to be a politician, though he would not name a person directly. Deciphering GIORGADZE's coded message, NATSVLISHVILI said, "in September, in the ninth month, something that is supposed to happen will happen." On the tape, GIORGADZE tells his unidentified associate to read the September 2<sup>nd</sup> issue of Spiegel. Reading from the issue, NATSVLISHVILI says, "Moscow's special services and the military are drawing up a plan for the toppling of President Shevardnadze. It seems that Igor Giorgadze, who used to work as state security minister in Tbilisi, plays the crucial role." NATSVLISHVILI said GIORGADZE made the phone call from Russia on September 7<sup>th</sup> and on September 11<sup>th</sup> "the hysteria began during which it was said absolutely unambiguously that Russia would bomb Georgia." NATSVLISHVILI added, "This is Russia's age-old plan which has not been able to reconcile itself to Georgia's independence for a number of reasons." NATSVLISHVILI accused Russia of double standards by allowing GIORGADZE, who is wanted by Interpol, to move freely in Russia and to appear on Russian television as he did on

#### Today's News Highlights

##### RUSSIA

Russia Says "No Proof" On Iraq  
Russia On U.S. In Central Asia  
Kidnapped Executive Released  
Gazprom Media Purchase

##### EUROPEAN REPUBLICS

Lithuania Involved In Visa Clash  
Poll- Ukrainian Living Standards

##### SOUTH CAUCASUS & CENTRAL ASIA

Azeri-Russia Strategic Partners  
**Special Report - Giorgadze II**

NTV on September 16<sup>th</sup>. NATSVLISHVILI said, "I am absolutely confident that Igor Giorgadze is dangerous for Georgia while he is there, in Russia. Igor Giorgadze is nothing in Georgia and there is no electorate...which would support Igor Giorgadze and his marginal ideology. It is ruled out. Therefore, whether he is arrested or not if he comes back to Georgia is another issue," Kommersant reported.

#### **Rus Says "No Clear Proof" Of Weapons In Iraq**

- On September 27<sup>th</sup>, one day before U.S. Undersecretary of State for Political Affairs Marc GROSSMAN is scheduled to arrive in Moscow for talks on Iraq, Russian Foreign Minister Igor IVANOV told reporters there is "no clear proof" that Iraqi President Saddam Hussein has acquired biological, chemical, or nuclear weapons," Reuters reported on the same day. IVANOV added that any attempt to delay the return of weapons inspectors to Iraq would be regrettable. According to IVANOV, "It is the inspectors, working in conjunction with U.N. Security Council resolutions, who can provide answers to all these questions. We believe it would now be an unforgivable error to delay the dispatch of international monitors to Iraq," Reuters reported.

#### **Russia Says U.S. Temporarily In Central Asia**

- Russian Deputy Foreign Minister Viktor KALYUZHNY told Interfax that Russia does not expect U.S. forces to remain in Central Asia after the anti-terror campaign in Afghanistan has been concluded. KALYUZHNY said, "As for the terms and conditions of the presence of the military contingents of the United States and some West European countries in Central Asia, we proceed from the statements of American administration representatives that the United States does not intend to set up permanent military bases there and that military presence is temporary and related to anti-terror tasks in Afghanistan," Interfax reported on September 23<sup>rd</sup>. The Deputy Foreign Minister emphasized that the U.S. presence in Central Asia should not be considered "as weakening Russian security," Interfax reported. According to KALYUZHNY, the U.S.-led operation in Afghanistan has contributed to increased security for both Central Asia and Russia.

#### **Gov't Prepares To Declassify Defense Budget**

- Russian Deputy Prime Minister and Finance Minister Alexei KUDRIN announced on September

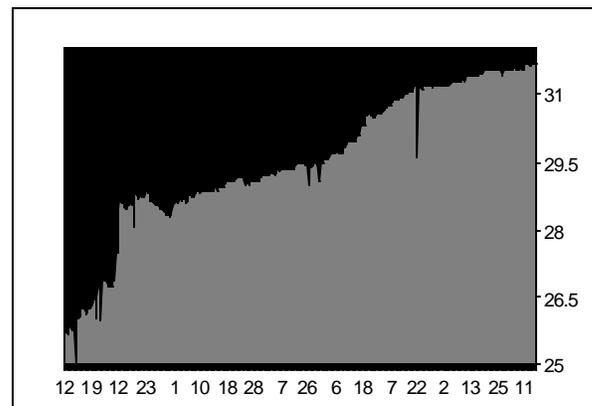
25<sup>th</sup> that the Russian government would "declassify 90% of defense spending" by the State Duma's second reading of the 2003 draft budget, Interfax reported on the same day. KUDRIN made the announcement in the Duma while presenting a report on the 2003 budget. According to KUDRIN, defense spending on armed force maintenance, which comprises 65 percent of all defense articles, will be the first to be declassified. KUDRIN said that defense spending declassification would allow the defense budget to become "more public, open and controllable for society," Interfax reported.

#### **Economy**

**Ruble = 31.66/\$1.00 (NY rate)**

**Ruble = 31.56/\$1.00 (CB rate)**

**Ruble = 30.85/1 euro (CB rate)**



**Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep**

#### **Rus Must Decrease Raw Material Dependence**

- Russian Prime Minister Mikhail KASYANOV announced at a cabinet meeting on September 26<sup>th</sup> that Russia must increase its exports of manufactured goods and decrease dependence on raw materials, Reuters reported on the same day. Russia currently exports \$40 billion in raw materials annually. This is more than half of its \$60 billion export total. According to Interfax, KASYANOV said, "If we maintain the current structure and volume of export and import a financial and economic crisis could become probable," Reuters reported. Responding to the announcement, Peter WESTIN, an economist at Aton brokerage said, "It looks to me that he is forecasting a massive drop in the oil

price," Reuters reported. A drop in oil prices in the late 1990s significantly harmed the economy, which rebounded as oil prices increased. According to Roland NASH, head of research at Renaissance Capital, Russia's oil exports have kept the ruble strong, making Russian manufacturing less competitive. NASH said, "What will tend to happen is the exchange rate will appreciate over time, making it more difficult for the manufacturing section of the economy to function properly," Reuters reported. According to NASH, banking reform in Russia could help channel oil profits into other sectors. WESTIN warned, however, that Russia is unlikely to become a large exporter of manufactured goods within 10 years. He said, "You can't abruptly change your competitive advantage," Reuters reported.

### Business

#### **Kidnapped LUKoil Executive Released**

- *LUKoil* Chief Financial Officer Sergei KUKURA, who was kidnapped on his way to work in Moscow on September 12<sup>th</sup>, was released unharmed outside of his home on September 25<sup>th</sup>, the Associated Press reported on the same day. *LUKoil* would not comment on whether or not the \$6 million ransom had been paid. A *LUKoil* official told Reuters on September 25<sup>th</sup>, "All I can tell you so far is that he is free." According to Moscow Deputy Police Chief Gennady DEINEKO, the details surrounding the case remain unclear. Some argued KUKURA's abduction was tied to his knowledge of state secrets, while others suggested the kidnapping was related to company infighting. *LUKoil* Press Secretary Dmitry DOLGOV said, "[Kukura] looked OK."

#### **Evrofinance Purchases Gazprom Media Stake**

- *Evrofinance*, a former Russian Central Bank subsidiary, reached an agreement with *Gazprom* on September 26<sup>th</sup> to purchase a 49 percent share in *Gazprom-Media* for \$700 million, Reuters reported on September 27<sup>th</sup>. According to the terms of the agreement, *Evrofinance* will pay *Gazprom-Media* \$100 million in cash up front and assume an additional \$600 million in debt to *Gazprom*, Reuters reported. *Gazprom-Media* oversees Russia's third largest television broadcaster, *NTV*, which it acquired from founder Vladimir GUSINSKY in early 2002. According to *Gazprom*, it has invested over \$1 billion into GUSINSKY's firms and the sale of

shares to *Evrofinance* will allow it to recover some of its expenditures. *Gazprom* says it will continue to look for additional investors. *Gazprom* CEO Alexei Miller told *NTV* he hopes to recover funds "once the capitalization of the new company grows." Chair of *Evrofinance* Vladimir STOLYARENKO admitted he expects to see a quick return on his company's investment, Reuters reported.

### EUROPEAN REPUBLICS

#### **Lithuania Cancels Visa Agreements**

- The Lithuanian Foreign Ministry announced on September 25<sup>th</sup> that it would cancel bilateral visa agreements with Russia and Belarus as of January 1, 2003, Reuters reported on the same day. The decision comes as Lithuania prepares itself for European Union membership. According to Lithuanian Foreign Minister Antanas VALIONIS, Lithuania's primary concern is acceptance into the EU's Schengen zone, which will eliminate internal border controls. Lithuania's Foreign Ministry released a statement on September 25<sup>th</sup> that said neither Belarus nor Russia had responded to repeated offers to revise the bilateral visa agreements in order to bring them in line with EU regulations. The current visa privileges between Lithuania and Russia and Lithuania and Belarus have been in place since 1995 and 1994, respectively. According to the Ministry's statement, "Lithuania remains open to dialogue and negotiations on ways to simplify visa issuance for its citizens and those of neighbouring states," Reuters reported. This most recent visa clash can be seen in the context of Russia's ongoing dispute with the EU concerning the right to visa-free travel between Kaliningrad and Russia proper via Lithuania.

#### **Poll- Ukrainians Want Higher Living Standard**

- Speaking at a roundtable on "The Role of Think-Tanks in Public Policy Formation" in Kiev on September 26<sup>th</sup>, Director of the Razumkov Center's sociological department Andrei BICHENKO shared results of a poll conducted on 2,040 respondents in August 2002. According to the Center, 57 percent of Ukrainians polled "are ready to live in a totalitarian state with high living standards" compared to 14.8 percent who "favor a democratic state with lower living standards," Interfax reported on September

26<sup>th</sup>. Of those surveyed, only 7.4 percent considered themselves to "live comfortably." Only 4.7 percent of respondents claimed to participate in the state's "social life," while 48.5 percent said "they do not believe active involvement in social life might change anything in Ukraine," Interfax reported. According to BICHENKO, the results show a lack in respondent's confidence that they will be able to "influence the authorities." BICHENKO said, "This is exactly what they lack now," Interfax reported. The poll demonstrated that respondents have little faith in the authorities' willingness to use state finances in the people's interest. Over 36 percent of respondents said they believed tax money "would be misappropriated by officials," while another 35 percent argued that "this money is taken by the authorities," Interfax reported.

### SOUTH CAUCASUS & CENTRAL ASIA

#### Azerbaijan Is Russia's Strategic Partner

- Russian Foreign Minister Igor IVANOV announced on September 24<sup>th</sup> that Azerbaijan is Russia's strategic partner. According to RIA Novosti, IVANOV said, "Russia was sure the future relations with Azerbaijan would be mutually beneficial." IVANOV stated at a meeting with ALIYEV, "We will share the future that will determine our relations." At the end of the meeting, IVANOV awarded ALIYEV with a jubilee badge marking the bicentenary of the Russian Foreign Ministry. The badge is reserved for famous Russians, as well as foreign diplomats, for their contributions to Russia. ALIYEV also received a two-volume book on outstanding Russian diplomats, published for the occasion, and a degree of Honorable Doctor of the Moscow State Institute of International Relations (MGIMO) for his contribution to relations between the Azeri and Russian nations. In the meantime, a Russian State Duma delegation began a three-day visit to Azerbaijan on September 24<sup>th</sup>. State Duma Speaker Gennady SELEZNYOV announced on the same day that Russian-Azeri relations were successfully developing. As further evidence of cooperation between Russia and Azerbaijan, a Interfax-Azerbaijan Information Agency has been established. ALIYEV said, "[T]his is a positive example of how comprehensive cooperation should develop between the two countries," Interfax reported.

### SPECIAL REPORT

#### Giorgadze's War On Shevardnadze, Part II

In recent weeks, Igor GIORGADZE has inserted himself into the war of words between Russia and Georgia. GIORGADZE has been leading the Russian media charge in what Georgian officials have described as an information (psychological) war against President Eduard SHEVARDNADZE and the Georgian government. According to Boston University's NIS Observed coverage on September 25<sup>th</sup> by Miriam LANSKOY, "GIORGADZE goes on to say (in Izvestia interview on September 3<sup>rd</sup>) that, according to his Georgian sources, the terrorists who exploded buildings in Moscow in 1999 are hiding in the Pankisi Gorge and that on 23 August, 2002 Georgia's planes bombed their own territory! (Since GIORGADZE'S interview, the FSB has begun to repeat his allegations that the organizers of the 1998 blasts are hiding out in Pankisi Gorge.)" Furthermore, GIORGADZE has accused the Georgian special (intelligence) services of informing Chechen field commander Ruslan GELAYEV and his fighters of the upcoming anti-criminal operation in the Pankisi Valley. According to GIORGADZE, GELAYEV was notified of the "scheduled operation details and its terms." As a result, the combatants agreed to withdrawal from Pankisi before the operation was undertaken.

On September 15<sup>th</sup>, GIORGADZE stated in an interview with the Russian newspaper Russian Magazine that "high government (Georgian) officials" have close personal ties with GELAYEV. GIORGADZE declared that he will publish documentation concerning the "spot-check implemented from Pankisi Valley to Kodori Gorge this Spring by Chechen terrorist Ruslan GELAYEV, its finance, techniques and material to be ensured by official Tbilisi, while interior forces' units were accompanied by its fighters." Tensions remain high in the Kodori Gorge as claims of a military buildup around the Georgian enclave continue.

Opposing accusations surfaced on September 25<sup>th</sup> when Prime News reported that an associate of Ruslan GELAYEV confirmed that the Russian military transported the commander and his fighters out of the Pankisi Valley via helicopters at a

cost of \$30,000 per flight (10 flights). Furthermore, the source claimed that GELAYEV is now in Chechnya and not Ingushetia, where fighting is underway between Russian and armed formations. On September 26<sup>th</sup>, the Russian media claimed it was Georgian helicopters that transported GELAYEV and that he was surrounded in Ingushetia. The Russian television station RTR broadcast on September 26<sup>th</sup> excerpts from video footage supposedly showing GELAYEV and his troops training in the Pankisi Valley. The footage was presumably shot by British cameraman, Gervaise Roderick John SCOTT, 31, whose body was found in Ingushetia on September 26<sup>th</sup>. JOHN worked for "Front-line television" and held a Georgian visa, Prime News reported. It is important to note that the Georgian visa # 364496 found on the body was only valid from June 13<sup>th</sup> to September 15<sup>th</sup>. This will no doubt become another arrow in the quiver of Russia's charges proving Georgian complicity with Chechen fighters.

Moreover, GIORGADZE's associates are also speaking out against the SHEVARDNADZE government, possibly in preparation for another internal coup attempt. The former commander of the Georgian Army's ground forces, General Gudjar KURASHVILI, who was pardoned by President SHEVARDNADZE in 2002 while serving a prison term on charges of planning a coup with Igor GIORGADZE in May 1999, accused the Georgian Defense Ministry of selling Strela missiles to Chechen guerrillas, Caucasus Press reported on September 17<sup>th</sup>. This type of missile has been used by Chechens in a series of attacks on Russian military helicopters. The latest helicopter attack occurred on September 26<sup>th</sup> during fighting in Ingushetia. KURASHVILI has dismissed claims made by Georgian Defense and Security Committee Chairman Irakli BATIASHVILI that the Georgian military never had such weapons, RFE/RL reported on September 18<sup>th</sup>. According to KURASHVILI, the Georgian army had 44 Strela missiles, all of which later disappeared. **Intercon**

sources report that KURASHVILI confirmed during his interrogation that he met with Russian military intelligence (GRU) and Federal Security Service (FSB) members in Russia, Belarus, and Lebanon while planning the 1999 coup attempt. A further indication that something may be afoot is that the Georgian Security Ministry found 12 heavy machine guns, which had been stolen from 11<sup>th</sup> Brigade tanks, near Tbilisi in mid-September. Some fear they were pre-positioned for an attack against the Georgian government.

According to Prime News on September 16<sup>th</sup>, President Eduard SHEVARDNADZE made clear he would not resign because "some Georgian politicians" and public figures "openly and fully propose themselves to our enemies (presumably Russian Special Services)." SHEVARDNADZE complained that the attempts "to change the government in the country" is a form of aggression against Georgia. SHEVARDNADZE pointed out that in a democracy, rather than the totalitarian structures with which GIORGADZE appears to be most comfortable, only the Georgian population is entitled to decide who will head the country, and "never the intelligence service of any foreign state (Russia)."

GIORGADZE, who remains a grave threat to Georgian President SHEVARDNADZE and his government, serves as an important symbol of Russia's rejection of Georgian independence. Russia's claim to be serious about joining a global anti-terrorism campaign must be viewed with skepticism as long as Igor GIORGADZE remains a semi-permanent feature of the Russian media. Until GIORGADZE is extradited to Georgia, as the U.S. Congress has suggested, Georgia will view Russia as hostile, and the international community will question Russia's intentions towards its smaller neighbor. If even half of the accusations are true, however, it is hard to believe that GIORGADZE will be turned over to Georgia, given his inside knowledge of Russia's dirty war against President SHEVARDNADZE and Georgian independence.

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