

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

INTERCON INTERNATIONAL USA, INC., 725 15th STREET, N.W., SUITE 903,
WASHINGTON, D.C. 20005 -- 202-347-2624 -- FAX 202-347-4631

Daily intelligence briefing on the
former Soviet Union

Published every business day
since 1993

Tuesday, June 12, 2001

RUSSIAN FEDERATION

Politics

India-Russia Test Medium-Range Missile

The Press Trust of India (PTI) reported that India and Russia, for the first time, jointly test-fired a surface-to-surface missile Tuesday from a test range in India's eastern coastal state Orissa. Defense scientists from the two countries launched the PJ-10 medium-range missile from the interim test range at Chandipur-on-Sea, about 1,200 kilometers southeast of New Delhi. The Russian-built rocket is completely guided by an onboard computer. The 6.9-meter missile uses solid and liquid propellants in its two-stage system, is capable of carrying multiple warheads, and can strike targets about 280 kilometers away within 300 seconds. The missile's various components were flown in from Russia last month and assembled at the test range. Indian Defense Minister Jaswant SINGH and scientists from both countries were present at the test. India and Russia are traditional defense allies with the former Soviet Union having been India's largest supplier of military equipment. In recent months, the two countries have entered into technical cooperation, with New Delhi planning to step up defense purchases from Moscow. The two also agreed, during SINGH's visit to Russia last week, to undertake joint development of new arms for India's air force, army and navy. New Delhi has an indigenous missile development program and in the past year has test fired some of its own missiles, including the nuclear-capable Agni ballistic missile. Today's test, as with past tests, is certain to raise the tension of arms build up in the region, particularly with Pakistan.

Pro-Moscow Administrator Killed In Grozny

Despite heightened security around Grozny and its neighboring villages and a campaign to protect

local officials, Chechen rebels killed another pro-Moscow administrator on Sunday. Gunmen burst into the home of Lukman MADALOV, administrative head of Valerik village, and fired at point blank range over 17 times at MADALOV and his wife. The administrator was killed instantly, while his wife is recovering from serious leg wounds in a nearby hospital. Vladimir MOLTENSKOI, acting commander of Russian forces in the North Caucasus district, told RTR state television, "Yes, this barbaric act did take place...despite our efforts of recent days to prevent this as much as possible." MOLTENSKOI said he had attended a meeting of administrative heads, chaired by Moscow-installed local leader Akhmad KADYROV, at which each was told he would be issued with a pistol, Reuters reported. He added, "A guard of three to five people...from our command will also be provided for each. Work is going ahead on this at full steam....Many had weapons and a guard before, but this will provide a legal framework." Itar-Tass news agency quoted MOLTENSKOI as saying 300 pistols were being distributed at a government building. Weapons were even being handed out to local Muslim clergy. Officials associated with KADYROV's administration have been singled out. In April, one man was even killed by a bomb while being interviewed on television. Three quit last week after one of their colleagues was shot dead.

KADYROV, a former Muslim cleric, was quoted by Interfax news agency as denouncing the latest killing as, "clearly political, with the aim of intimidating everyone who supports the efforts of our country's

leaders to establish order in Chechnya."

Meanwhile, local pro-Moscow Prime Minister Stanislav ILYASOV denied reports that a ban had been slapped on all movements of soldiers and equipment in connection with today's Russian Independence Day holiday. In addition, the military announced an easing by two hours of the nightly curfew imposed on the region on Russia's southern flank.

Yeltsin Granted Fatherland Award

- Russian President Vladimir PUTIN signed a decree on awarding first Russian President Boris YELTSIN with the Order "For Services to the Fatherland," 1st Class. The head of state announced this news, opening a reception in honor of Russia's Independence Day. "Today, we mark a decade of the institute of presidency in Russia," PUTIN said. "This day is historically connected with the name of the first Russian president—Boris Nikolayevich YELTSIN. I congratulate him on this holiday." YELTSIN, who was warmly hailed, is in good health after being hospitalized this past winter for pneumonia. YELTSIN has suffered many health issues, including heart bypass surgery in 1996.

Economy

Ruble = 29.15/\$1.00 (NY rate)

Ruble = 29.15/\$1.00 (CB rate)

Ruble = 24.71/1 euro (CB rate)

Gov't To Defend, Duma To Fight Budget

- Russian Prime Minister Mikhail KASYANOV pledged on Saturday to defend his Cabinet's 2002 budget, against deputies from the Russian State Duma. He foresaw no big overhaul in prospective cabinet changes, but wanted to boost efficiency and ministerial responsibility. He said the budget had a pragmatic approach to income and expenditure and promised to meet foreign debt commitments, Reuters reported. He noted that the deputies had to be altered to ensure passage. The Cabinet gave approval in principle this week to the budget, with ministers noting warnings by President Vladimir PUTIN to boost pay for the military and keep to targets. Finance Minister Alexei KUDRIN said it allowed for a balanced economy and anticipated structural reforms and took account of external debt payments regardless of oil prices.

Head of the Russian State Duma's Budget Committee Alexander ZHUKOV said that the government will have trouble passing the current 2002 draft budget. Deputies would likely find fault with some of the budget's main parameters, including forecasts for annual inflation and a planned surplus. The government's 2002 draft budget forecasts a surplus of 1.26 percent of gross domestic product and targets annual inflation of 12 percent to 13 percent. "We need to see where we will be at the end of 2001. If inflation this year hits 20 percent then of course inflation of 12 percent to 13 percent [in 2002] is too low," ZHUKOV said. The Russian government originally set the forecast for 2001 annual inflation at 12 percent to 14 percent, but on Thursday raised that target to 14 percent to 16 percent, citing strong price growth in the first five months. ZHUKOV said that deputies would also question the budget's surplus. He said, "Why should we not refinance debts or borrow from the Central Bank?" ZHUKOV added there would also be significant dissent among deputies about the government's plans for spending cuts on industry, agriculture and transport.

EUROPEAN REPUBLICS

Orthodox Priests Protest Pope's Visit

- Several hundred Orthodox priests and nuns marched through the Ukrainian capital Thursday to protest against Pope John Paul's visit to Ukraine on June 23rd. The five-day trip in Kiev and Lviv is opposed by the country's dominant Orthodox Church, which is closely linked to Moscow and has accused the Roman Catholic Church of stealing converts and land. Priests and nuns, bearing icons and banners emblazoned with "Pope —persona non grata," walked through central Kiev to the parliament building and the historic monastery site of Lavra Pechersk, Reuters reported. Several hundred believers followed the protestors. More than two million people are expected to travel to see the Pope in Lviv, an area with a large Catholic population. Father Teodozy YANKIV, from Ukraine's biggest Catholic Church, the Greek-Catholic Church said, "Some 600,000 invitations have already been printed for the two services in Kiev and another 1.6 million will be invited in Lviv." The Polish-born Pope in April rejected a request by Ukraine's Orthodox