

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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RUSSIAN FEDERATION

Politics

Russia Offers Sympathy To US And Its Victims

□ Russia President Vladimir PUTIN has offered words of condolences to the US and the families of the victims from four airplane hijackings, which resulted in two airplanes crashing into the World Trade Center, one into the Pentagon, and another crashed in Pennsylvania. Shortly following the crashes into the Twin Towers both collapsed and a third nearby building collapsed at about 5 pm in the evening. This is the single largest coordinated terrorist attack against civilians and the military on US soil. In a telegram to US President George W. BUSH, PUTIN said, "barbarous terrorist acts aimed against wholly innocent people cause us anger and indignation...There is no doubt that such an inhuman act must not go unpunished. The entire international community should unite in the struggle against terrorism," The Russian President ordered a minute of silence throughout Russia's 11 time zones at noon Moscow time (0800 GMT) on Thursday for what are certain to be thousands of victims. Russian Rescue Services are prepared to fly to the US to provide support. PUTIN appealed for closer international cooperation against terrorism. The head of the SVR foreign intelligence agency said his service was working closely with colleagues in the US, Europe and the Middle East to prevent new attacks. Sergei LEBEDEV, in a rare public comment, said the attacks had proved, " global nature of the threat of international terrorism and the need for joint action in preventing it...We are now in close contact with the special services in the United States as well as with our partners in the countries of western Europe and the Middle East." Former Soviet President Mikhail GORBACHEV said the attacks were a catastrophe

for mankind. They represent "not only a national tragedy [for the US], but a tragedy for the whole of mankind," he said in a message of condolence to the US administration.

Russian officials quickly moved to stop any panic selling of dollars in Moscow due to fear of a financial crisis. Prime Minister Mikhail KASYANOV said there was no reason for some currency exchanges to have slashed their dollar rates. He saw no chance of a wider financial crash and urged people to stay calm. He told ORT Television in an interview following a meeting with PUTIN and Central Bank Chairman Viktor GERASHCHENKO, "Despite yesterday's monstrous terrorist acts, the fundamental basis of the American economy remains strong. I urge citizens and people on the market not to be driven to measures like buying dollars at 20 rubles per dollar." Russian have laid flowers, candles, and Orthodox icons outside the US Embassy and on Moscow's Garden Ring Road. One sign read, "US □We are together with you in our thoughts," Reuters reported.

Russian Security Shift To High Alert

□ Following the unprecedented coordinated terrorist attacks in New York City and Washington, DC, Russian President Vladimir PUTIN convened an emergency meeting with this "power ministries" including foreign, interior and defense ministers and head of the domestic intelligence agency to give them special instructions. Several Russian Security agen-

cies, including Russia's anti-aircraft force, were placed on high alert as a result of the attacks against the US. Russia's Air Force implemented a series of anti-terrorist measures to protect Russia's air space, Interfax News Agency reported. The air defense and missile-space defense forces, the Air Force and the Navy were urgently summoned to command posts of strategic missile forces. Interior ministry forces were placed on a state of alert and security reinforced around key sites across the country, while Russia halted all plane departures to the US. Flights directly over Moscow and St. Petersburg are prohibited (with the exception of special flights); monitoring of foreign airliners passing through international air corridors over Russia is intensified, Vremya Novosti reported. Russia is waging a military crackdown in the separatist republic of Chechnya, which it describes as an "anti-terrorist" operation.

Chechen Bombing Trial Recessed

□ The Jamestown Foundation reported that on September 7th a ten-day recess was announced in the closed trial of five citizens from the North Caucasus autonomous republic of Karachaevo-Cherkessia who are charged with having bombed two large apartment complexes in Moscow in September 1999. The apartment blast killed an estimated 220 to 250 people. The five defendants, Aslan and Marat BASTANOV, Muratbi BAIARAMUKOV, Muratbi TUGANBAEV, and Taikan FRANTSUZOV, are said to have waived their right to a trial by jury. None of the defendants are ethnic Chechens. The trial, which is closed to the public and to all journalists, is being held in Stavropol, Lenta.ru reported.

Meanwhile, according to a poll conducted by Yuri LEVADA of the All Russian Center for the Study of Public Opinion (VTsIOM) a majority of respondents were prepared to let Chechnya secede to end the fighting. Only 20 percent want at any cost not to permit the independence of Chechnya. LEVADA said, "A majority are prepared to let Chechnya go, not because they love the Chechens but because the existing situation is unbearable."

More Money For Nuclear Fuel Producer

□ Russian President Vladimir PUTIN has signed a decree providing more money to the state nuclear fuel-producing monopoly TVEL, Kommersant Daily reported. The additional money is to come not from

the budget, but rather from transfers from other federal enterprises. PUTIN is seeking to increase TVEL's capitalization, the paper added, in order to increase the market value of the company's shares and thus allow the state to sell some of these shares for the buyout of other enterprises in the nuclear industry that are not yet under complete state control.

Russia To Modernize Tanks

□ Head of the Defense Ministry's directorate responsible for tanks General Sergei MAYEV, said his agency is launching a program to modernize Russia's T-72 tanks to bring them up to the level of the T-90, NTV reported. MAYEV said that at present, only one in every five Russian tanks meets modern specifications. Modernizing existing tanks, he added, is much more rational and inexpensive than replacing them.

Berezovsky To Use Yeltsin Against Putin?

□ Moskovskii Komsomolets reported that Russian oligarch in exile Boris BEREZOVSKY plans to use former Russian President Boris YELTSIN against President Vladimir PUTIN. Under BEREZOVSKY's alleged plan, YELTSIN would become the honorary chairman of an anti-PUTIN "people's movement" to be financed by BEREZOVSKY. But the paper said that the Kremlin is preparing a response. It is considering dispatching YELTSIN as ambassador to Beijing, not only keeping him out of Russian domestic politics, but putting him closer to the Chinese medical treatments he has reportedly found so useful.

US Proposes Further Nuclear Cuts

□ US Undersecretary for Defense Douglas FEITH held a series of closed-door meetings in Moscow on Tuesday with Russia's deputy chief of the armed forces Yuri BALUYEVSKY. The meetings focused on proposed nuclear weapons cuts. FEITH said that Washington would provide precise figures on the proposed cuts. FEITH said he, "did not offer numbers in terms of arms reductions...The number is being developed right now. [US Defense Secretary Donald] RUMSFELD said it would be developed in October." The issue of reductions in nuclear stockpiles has been linked on the Russian side with US plans to withdraw from the 1972 Anti-Ballistic Missile treaty in order to build a missile defense shield. Moscow is bitterly opposed to scrapping the

treaty which it regards as the keystone of postwar strategic security arrangements. On Monday, Russian Defense Minister Sergei IVANOV said it was "theoretically" possible for the two sides to strike a new agreement that would replace the ABM treaty. FEITH said that during his, "wide-ranging talks about the creation of a new framework of relations" the two sides, "identified certain areas of cooperation that are new" and "laid the groundwork for further talks," Agence France Presse reported. The visit, the latest of several by top US officials to Moscow in the past two months.

Economy

GREF Predicts September CPI

□ Russian Economy and Trade Development Minister German GREF forecast that inflation this month would be only slightly higher than last month's level of zero. "Inflation in September will be low, around zero, maybe 0.2 percent," GREF told Reuters. Consumer price inflation (CPI) was 1.3 percent month-on-month last September. Analysts have said a slowdown of inflation in August was seasonal as it was driven by a traditional drop in food prices due to the fruit and vegetable harvest. They expected prices to pick up in September and the rest of the year. The government has said annual inflation this year will be around 17 percent to 18 percent, although analysts say it will more likely be around 20 percent.

Business

Ministry To Increase Internet Access

□ Russian Communications Minister Leonid REIMAN said on September 5th that his ministry plans to open 1,860 public Internet access points by the close of 2001 to attempt to meet rising demand for access, Interfax reported. He said that, "the growth of the Internet in Russia is constrained by the price of computers," and consequently the government wants to allow people to share government-owned computers, RFE\RL Newline reported.

SOUTH CAUCASUS & CENTRAL ASIA

Georgian Condolences To US

□ **Intercon** has received an exclusive letter from the Georgian Border Guard Chief Valeri CHKHEIDZE expressing concern and outrage regarding the "brutal terrorist acts," perpetrated against the US on Tuesday. The full text of his letter follows.

Dear Sir!

We are in shock from brutal terrorist acts, results of which are so terrible. Nobody remembers such since the Second World War. We express indignation to terrorists' activities which are aimed not only against American Nation but against all civilized mankind as well. We express our condolences to families of people killed and to the whole American Nation.

From the State Department of Georgian State Border Defense
Lieutenant-General V.CHKHEIDZE
Doctor Anatol GORGOSHIDZE

Dear friends,

On behalf of our organization I want to convey our condolences for the tragedy without precedent that took place in US. Such unbelievable and horrible events had born fear and feeling of exposure in the face of hatred and fanaticism in every one of us. Especially in the light of fact, that for every progressively thinking Georgian the strength of you country is taken as a guaranty for the salvation and development of the fragile State system of our motherland.

We are sure, that US will have strength and audacity to give a worthwhile response to everyone who participated in the planing and fulfillment of this cowardly act. Their impunity can give a stimulus to the farther escalation of the terrorism and violence. I want to assure you for our united solidarity to American people in this time of tragedy and disaster. With deepest regret and sympathy,

On the behalf of Transparency International Georgia

David KIKALISHVILI
Chairman
Director

Gia KIKNADZE
Director & Executive

Nuclear Smuggling Rises In SC & CA

□ The Chicago Tribune reports that the July seizure of 4 pounds of enriched uranium 235 in a Batumi hotel is another startling example of how nuclear smuggling has shifted from Europe to the countries of the South Caucasus and Central Asia. The July seizure, the third in two years of weapons-grade uranium within Georgia, involved four men, including an army captain with the logistics corps named Shota GELADZE. A Western diplomat said the uranium probably had no value for bomb making, but Georgian officials insisted on taking precautions. The US government has expressed concern that the trafficking of nuclear materials in the former Soviet republics calls for an increase in customs and border control services. Washington has already sent millions-of-dollars-worth of equipment to several countries in the region, including Georgia. Few smuggling incidents involve material that could be used to make bombs, and intelligence officials say they know of no successful attempt at smuggling weapons-grade material. But they also concede that the full scope of the smuggling remains uncertain. During a recent visit to the region to brief customs officials on suspected weapons buyers, Gary MILHOLLIN, director of the Wisconsin Project on Nuclear Arms Control in Washington, said, "The nuclear material tends to come from Russia, but once it gets outside, the region is pretty wide open." The International Atomic Energy Agency, which monitors nuclear proliferation and controls, provided new figures Friday showing that the number of confirmed cases of nuclear smuggling had fallen in the rest of the world but had risen in Turkey, the Caucasus, and Central Asia. Only four of the 104 cases from 1993 to 1995 occurred in this region, the agency reported, but from 1996 to last month, 16 of the 72 cases worldwide occurred in the region. The data covered only three weapons-related elements $\frac{3}{4}$ uranium, plutonium and thorium $\frac{3}{4}$ and only incidents confirmed by the international agency.

USAID Conf. On Combating Corruption

□ During a US Agency for International Develop-

ment (USAID) conference in Sophia, Bulgaria, Georgian Justice Minister Misha SAAKASHVILI said that it was a mistake to proceed with privatization when the legal system was not reformed to deal with resulting problems. He noted that numerous changes in society has, "created conditions where corruption can flourish." SAAKASHVILI stressed, "After the fall of communism, former officials had enormous chances for back-door privatization. They created new oligarchical structures which took control of all economic activity and the media...The whole system of law enforcement has failed in all former communist countries." A large shadow economy is blossoming while political legal institutions lack real will to fight corruption, he said. SAAKASHVILI has recently spear-headed a movement with Georgia to rid the top echelons of power of corrupt officials.

A USAID working group report on Russia noted that the inheritance of a centralized economy and a lack of transparency created the perfect conditions for corruption in transitional countries. "The absence of clear and stable rules incites businesses to enter illegal transactions with the help of civil servants who expect to be recompensed," it explained. "Transitional economies pay a higher price for corruption than the toll of the bribes they fork out. The price could have a critical or fatal impact on the structure and speed of the transition," the report said. USAID recognized that all transitional countries are working against corruption by cutting down administrative obstacles in business circles and trying to stabilize their justice systems, the Agence France Presse reported. The report singled out Hungary, which has made progress in the battle against corruption and slowed the growth of its black market since its first years in transition. It also cited a legal project being studied by the Georgian government, which would give every citizen the right to ask for documents concerning the origins of officials' property. If the law were put into effect, officials would risk dismissal and confiscation of their property if they did not come up with satisfactory replies, SAAKASHVILI said.

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