

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

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RUSSIAN FEDERATION

Politics

Security Service Behind Terrorist Attacks?

□ Mikhail MAGRELOV, Deputy Chairman of the Federation Council Foreign Affairs Committee and a former intelligence agent with Middle East expertise, told *NTV Television* that the terrorist attacks against the World Trade Center and the Pentagon were staged by suicidal extremists sent not by a terrorist organization, but a foreign security service. He speculated that Osama BIN LADEN, the prime suspect in the US investigation, could only be a link, not the mastermind behind the large-scale operation. MAGRELOV cites the nearly simultaneous hijackings of several planes by trained pilots combined with a disruption of all air control systems, plus accurate strikes pinpointed against the floors of buildings to inflict maximum damage as clues that the attack was a well-planned conspiracy prepared by security services. Sergei ZAGIDULIN, who heads the Russian State Duma Anti-Terrorist Committee, also believes that some security services could be behind the New York City and Washington DC terrorist attacks. Former Prime Minister Yevgeny PRIMAKOV, in an interview with *Moskovsky Komsomolets*, said, "the United States must take its revenge on the terrorists. It goes without saying that terrorists must be liquidated; moreover, the anti-terrorist struggle must involve force. However, one should not respond with terror to terror because this would only entail additional violence and terror. One can say that all existing or projected state-security systems have proved completely ineffective. It turns out that a decision to double the defense budget, the mightiest military alliances, as well as the most effective air-defense systems, can't cope with the terrorist threat." **Comment:** Questions raised by MAGRELOV correspond with concerns **Intercon** has as to who were the

real masterminds and planners of this very complicated and complex operation. At the very least, two years of operational activities occurred within North America. One can only speculate as to the planning which occurred before these operational steps were taken, namely the training of pilots in the US, the establishment of support networks, etc. Clearly, one must seriously consider the possibility of a foreign intelligence service especially Iraq, which received Soviet training and could even be receiving ongoing advice and support from former Soviet intelligence officers, who were involved in the establishment of sabotage networks. PRIMAKOV's insight on Iraq and his possible knowledge of links between Saddam HUSSEIN and other terrorist groups could be valuable to the US. The question remains whether Russia will share this intelligence information with the US and join the global fight against terrorism or resign itself to the lip-service of fight terrorism only.

Putin Comments On Terrorist Attacks

□ Russian President Vladimir PUTIN indicated Saturday that Russia will basically support US retaliatory strikes for Tuesday's terrorist attacks in the US, saying "evil must be punished," according to Russian news agency Interfax. PUTIN compared the terrorist attacks on the World Trade Center and the Pentagon to atrocities committed by the Nazis, "in scale and cruelty." The website *Russia Today* cited the Russian Embassy as reporting that 117 Russians are missing and believed to have died in

the terrorist attacks. Russian authorities gave no official confirmation of any deaths. The Russian President said, "The main lesson that (we) should draw from this tragedy is the need to strengthen our own and international security," the Associated Press reported. PUTIN urged a new worldwide outlook on security that focuses on the threats of large-scale terrorism, and on cooperation among governments to fight it. The President stressed that the US should ensure it has enough evidence against Osama BIN LADEN, its main suspect in the terrorist attacks, before taking retaliatory action against him. Meanwhile, chief spokesman for Russia's Federal Security Service (FSB) said Saturday that Russian officials had warned American counterparts of a threat of terrorist attacks on the US. Spokesman Nikolai PATRUSHEV, in remarks carried by Russian news agencies and television, claimed "due attention" was not paid to the warnings. PATRUSHEV gave no details about the threat or warnings.

Chechen Rebels Launch Attack On Gudermes

□ Russia's RIA news agency reported today that a group of 400 Chechen rebels had attacked Gudermes and a major battle was under way. The agency quoted security service officers as saying the rebels were well armed, highly organized, and appeared to have good knowledge of the city. Chechen spokesman Movladi UDUGOV said that the rebels have launched their largest-scale offensive in months. The rebels have carried out a series of coordinated attacks across the Russian rebel region's lowlands of Naursk and Shchyolkovskoi, seizing administrative buildings in the mountain village of Nozhai-Yurt, and shooting down a helicopter, Reuters reported. UDUGOV added that rebels seized a Russian military headquarters in Gudermes, launched a suicide car-bomb attack on a checkpoint in the town of Argun, attacked an armored convoy and shot down an Mi-8 helicopter in the capital Grozny, killing nine people on board including a general, Anatoly POZDNYAKOV. In Argun, just east of Grozny, UDUGOV said a rebel had detonated a car bomb at a checkpoint, killing himself and several Russian troops. Gunfire followed. The Defense Ministry in Moscow said it could not immediately confirm the reports of the attacks. However, Kremlin spokesman on Chechnya Sergei YASTRZHEMSKY said, "There has been

a surge in activity, but on just what scale we are still checking." Russian officials also confirmed that several police officers in Gudermes were injured in clashes.

Economy

<p>Ruble = 29.45/\$1.00 (NY rate) Ruble = 29.46/\$1.00 (CB rate) Ruble = 27.26/1 euro (CB rate)</p>
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Business

Sberbank Held , Vneshtorgbank Divested

□ Russia's Central Bank will not rush to sell its stake in the country's biggest bank, *Sberbank*, but will exit the capital of *Vneshtorgbank*, one of the country's biggest, by 2003, Kommersant Daily reported. The government will separate the functions of a state debt agent and a banking entity of *Vneshekonombank*, the newspaper said, citing what it called was a banking reform plan prepared by the Central Bank and the government. "Cardinal changes regarding ownership [a transfer by the central bank to the government or privatization of the controlling stake] or structure [split] of Russia's *Sberbank* is not one of the tasks of banking sector reform," the document published by Kommersant Daily said. *Sberbank*, which holds 87.3 percent of ruble and 51.2 percent of foreign currency deposits, is 63 percent owned by the Central Bank. It enjoys government guarantees on the deposits. The government had tentatively set January 1, 2003 as the date for the Central Bank to divest its more than 99 percent stake in *Vneshtorgbank*, but gave no other details. The Kommersant Daily document said the necessity of the Central Bank leaving the capital of *Sberbank* would only be discussed after the public's trust of commercial banks was higher. The cabinet is scheduled to discuss banking reforms on September 27th. The document, called "A Joint Strategy of the Bank of Russia and the Russian Federation Government on the Banking Sector Development," said the authorities would aim within five years to increase to 45 percent to 50 percent the ratio of banks' assets to gross domestic product. The current ratio is 35 percent.

EUROPEAN REPUBLICS

Ukraine Remembers Gongadze's Murder

□ Approximately 4,000 people participated in a march and a rally in Kiev September 15th to remem-

ber the slain journalist Georgy GONGADZE who went missing on September 16, 2000. Chanting "KUCHMA out!" and carrying blue and yellow national flags and banners with the slogan "Impeach KUCHMA!", the protesters gathered on the capital's main street to hear tributes to GONGADZE from leading opposition politicians, Reuters reported. "The world has been concerned with the terrorist acts in the US, but it is much worse when the state, the authorities are using terror," Socialist Party leader Alexander MOROZ told the crowd on Kiev's Independence Square, RFE\RL Newline reported. The secret recordings made public by presidential bodyguard Nikolai MELNYCHENKO last year suggest that President Leonid KUCHMA and top state officials may be implicated in the killing of GONGADZE. GONGADZE's case, which has been dogged by conflicting evidence, contradictory statements from investigating officials and ministers, and doubts even about the identity of the headless corpse, remains unsolved. The body has not been buried. The reporter's mother, Lesya GONGADZE, has refused to accept the corpse for a funeral until tests prove conclusively the body is her son's. The demonstration, organized by the anti-KUCHMANational Salvation Forum, took place without incident. A plaque bearing the names of 18 journalists killed during the 10 years of Ukraine's independence from the former Soviet Union was unveiled at the Union of Journalists' office.

Belarus-Libya Boost Relations

□ Belarus Prime Minister Vladimir YERMOSHIN and Libyan Defense Minister Abu Bakr Jounes JABER on Saturday discussed economic, trade, scientific, and technical cooperation between the two countries. YERMOSHIN stressed that Belarus considers Libya as a prospective economic partner because cooperation with it will help advance Belarus goods and services to foreign markets. JABER noted the high potential of Belarus industrial enterprises and said that they could increase their supplies to Libya considerably. The Libyan delegation arrived in Minsk on an official visit on Friday. Diplomatic relations between Belarus and Libya were established in August, 1996. In the autumn of 2000, President Alexander LUKASHENKO made his first official visit to Libya, Itar-Tass reported. The sides plan to review the implementation of agreements signed last year and map out prospects for further

cooperation. The sides are also expected to sign a protocol of intent on cooperation between Minsk and Tripoli, as well as agreements on cooperation between the Belarus Chamber of Commerce and Industry and the Libyan Association of Chambers of Commerce, Industry, and Agriculture.

SOUTH CAUCASUS & CENTRAL ASIA

Shevardnadze To Resign As CUG Chairman

□ Today, Georgian President Eduard SHEVARDNADZE has officially announced his intention to resign as Chairman of Citizens Union of Georgia (CUG) ruling party. In his traditional radio address, SHEVARDNADZE surprised the nation by announcing that this is not "an emotional step," but a decision he had thoughtfully considered for a long time. SHEVARDNADZE said the main reason of his resignation is a time deficit, which made him unable to devote enough time to CUG Chairman's duties. According to a participant of a late Saturday parliamentary meeting with the President, SHEVARDNADZE "acknowledged his mistake," and agreed with his opponents who insisted that to combine the posts of the President and Chairman of the ruling party was inadmissible. SHEVARDNADZE said that the CUG will be convened in the nearest future to elect a new chairman. "The delegates will have many options as we have many decent people," among the CUG members, SHEVARDNADZE stated. The President said his resignation will allow him to cooperate more closely with the opposition, which will strengthen the parliament. SHEVARDNADZE has been Chairman of CUG since its founding in 1993.

SHEVARDNADZE also expressed his support to the idea presented by Zurab ZHVANIA, Chairman of the Parliament of Georgia, to create a new political "majority" within the parliament. Vitaly KHAZARADZE, head of the parliamentary Tax and Revenue Committee, told Prime News Agency that SHEVARDNADZE believes its possible to create a coalition government with the representation of those oppositional forces that will support the draft law on the establishment of Cabinet of Ministers. A member of the parliamentary majority and ZHVANIA's Chief of Staff, Peter TSISKARISHVILI, stated that SHEVARDNADZE's resignation might destroy the ruling party and make it impossible to create the new parliamentary "majority." It has probably ruined

the possibilities for the establishment of the Cabinet of Ministers. According to TSISKARISHVILI, the President wants to maintain the current political status quo "necessary to conduct the policies incompatible with the current reforms." He also said that the President's resignation might aim at distancing ZHVANIA's team from the political processes.

At a briefing today, ZHVANIA said SHEVARDNADZE's resignation as Chairman of CUG will be a tough test for the ruling party. Whatever the political developments will be, ZHVANIA stressed, SHEVARDNADZE will be always honored for establishing CUG. ZHVANIA is also calling for abolishing the position of the CUG Chairman after SHEVARDNADZE resigns. ZHVANIA stressed that CUG will follow the political course declared in its election campaign and will always politically cooperate with SHEVARDNADZE. ZHVANIA stressed he will do his best to ease the political tension in the country. He warns, however, that the current situation in Georgia is as tough as it was in 1993 to 1995. It might look different from the outside, he said, but the current level of corruption is as killing as the problems that Georgia faced in mid-1990s. ZHVANIA stressed that CUG must clean itself of all the people whose activity is associated with corruption. The party has a strong potential and enough people to do so, he stated.

Comment: The President's resignation comes on the heels of SHEVARDNADZE's meeting with Ajarian Chairman Aslan ABASHIDZE in Batumi, as **Intercon** reported on September 5th. Little is known about what was discussed at their meeting. It also comes after meetings this weekend between ZHVANIA, the Traditionalists, and Industry Will Save Georgia political parties. Discussions were ongoing concerning the formulation of a new parliamentary majority. SHEVARDNADZE's decision will no doubt derail any attempt to create the Prime Minister position and has thrown the political system into additional turmoil.

Baku-Tbilisi-Erzerum Negotiations Ending

□ In his traditional radio address to the nation, Georgian President Eduard SHEVARDNADZE stated today that Georgia-Azerbaijan negotiations on the construction of a gas pipeline from Baku (Azerbaijan) to Erzerum (Turkey) through the territory of Georgia are ending and an agreement to

be signed will be ready within a few days, Prime News Agency reported. The negotiations are being held in London with the participation of the World Bank experts, US and other world leading energy companies. Georgian Foreign Minister Irakli MENAGARISHVILI and Head of the *Georgian International Oil Company (GIOC)* Gia CHANTURIA represent Georgia. SHEVARDNADZE said that the "friendly environment" at the negotiations will guarantee that both parties' interests will be observed. As soon as the agreement is ready, SHEVARDNADZE stated, he will go to Baku to sign it with his Azeri counterpart Geidar ALIYEV. The agreement, scheduled to be signed in July, was postponed, due to the disagreements on the tariffs. The investors insist the transit tariff be \$2 per a thousand cubic meters of gas in the first five years, \$2.75 in the next five years, \$3.50 in the following five years, and \$4.25 afterwards. The World Bank disagrees on these terms and demands that in accordance with the international standards, the transit tariff through Georgia must be \$5 to \$10 per a thousand cubic meters of gas. Gas delivery through the pipeline is expected to start in 2004. Total amount of gas to be transferred through the pipeline is estimated to be 80 billion cubic meters. The cost of the project is \$2.9 billion.

At the negotiations in London the participants also discussed assistance to the Georgia's energy sector for the upcoming winter, SHEVARDNADZE noted. He said that *British Petroleum* is taking a responsibility to provide help when necessary. SHEVARDNADZE concluded that London talks are being held on a highly professional level.

Bin Laden Cells Operate In 34 Countries

□ The terrorist organization led by Osama BIN LADEN is believed to have branches in 34 countries or territories. It poses a "global threat" to the US, states a report drawn up by the analytical service of the US Congress, which was made public on Thursday. According to the report, BIN LADEN united into a single coalition the Islamic groups of various nationalities for joint actions in attaining a common goal: the elimination of non-Islamic control or influence on the territories, inhabited by Muslims. The numerical strength of the criminal network of BIN LADEN is estimated at 3,000 militants, while his personal fortune is estimated at \$300 million. The report gives a

list of countries and territories, in which supporters of BIN LADEN are believed to be operating. These include Azerbaijan, Uzbekistan, Tajikistan, Chechnya, and the US itself. The report is dated September 10th; this is the day before the terrorist attacks against the Pentagon and the World Trade Center. US authorities suspect BIN LADEN of complicity in the organizing and support of the terrorists who carried out the vicious attacks. US President George W. BUSH has said that the US will seek action against any state known to support or harbor terrorists.

Permission For US Bases Granted Or Denied

□ Following the terrorist attacks against the World Trade Center in New York City and the Pentagon in Washington DC, the US is seeking to build an international coalition to fight terrorism. The US is seeking support in terms of intelligence and military operations. Georgian Deputy Defense Minister Gela BEZHUASHVILI said Georgia is prepared to open its bases and its airports to NATO in the event of an anti-terrorist operations. Georgia's President and parliament must approve this decision. BEZHUASHVILI said approval was likely, "because fighting terrorism is not only the United States' problem and Georgia can not ignore it," Agence France Presse reported. Uzbekistan, a member of GUUAM (Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova) has also said it will allow the US to use Uzbek airspace or territory for an attack across its border with Afghanistan, The Washington Post reported. But a spokesman for Foreign Minister Abdulaziz KAMILOV told Reuters that it was premature to affirm the country had made a final decision on extending the permission. The top priority, he said in the interview, would be to target the extremists, not the country, to aim for the "liquidation of terrorists, liquidation of bases, liquidation of all that would make sure the world would see no resurgence of terrorism." Uzbek President Islam KARIMOV has waged a fierce battle against the Islamic Movement of Uzbekistan, which wants to establish an Islamic state in the Ferghana Valley, which runs through

three Central Asian countries. Uzbekistan has often accused the Taliban-ruled Afghanistan of sheltering Islamic militants, who launched an incursion into Uzbekistan and Kyrgyzstan in 1999 and August, 2000. Islamic rebels almost took over Tajikistan in the 1990s.

Tajikistan, which also borders Afghanistan, said on Sunday it had not given consent for US troops to be based on its territory. Chief Foreign Ministry spokesman Igor SATTAROV told reporters, "Reports in some media on the use of the Tajik territory by a third country to inflict strikes on military camps of the Taliban and international terrorists in Afghanistan are groundless." Last week, Tajik Prime Minister Akil AKILOV indicated that his government might consider a US request to provide air corridors for strikes on Afghanistan, but only with approval from Russia and the international community. Tajikistan is struggling to recover from a five-year civil war between mostly Islamic opposition forces and the hard-line secular government, and depends heavily on Russia for military and political support, the Associated Press reported. Russian Defense Minister Sergei IVANOV has ruled out NATO deploying its forces in countries of the Commonwealth of Independent States. The Turkmen Foreign Ministry has said that Turkmen is unlikely to allow the US to carry out air strikes against suspected terrorist bases in Afghanistan because, "Turkmenistan is a neutral country." Turkmenistan shares a long border with Afghanistan. The Turkmen Foreign Ministry said, "The fact that Turkmenistan is in touch with the Taliban movement and the Northern Alliance does not mean that Ashkabad prefers one of them to the other. It [Turkmenistan] acts as a peacemaker." Meanwhile, Kazakhstan is tightening its border security. A top Kazakh aide said the US would help by speeding up and increasing funding to a program already in place which is designed to boost security in the region and stop the flow of drugs out of Afghanistan.

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